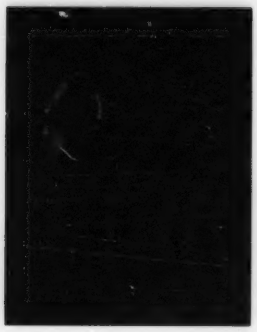
askatchewan Research Council 2000/2001 Annual Report

deas, opportunities, achievements

SRC

technology is our business



Front Cover

Ideas. Opportunities. Achievements.

When the skills, knowledge and state-of-the-art facilities of SRC are applied to ideas generated by our clients and partners, we help create opportunities. We take great pride in our clients' achievements in Saskatchewan and around the world.

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SRC's Mission

SRC's mission is to help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment. We do this through research, development, and the transfer of innovative scientific and technological solutions, applications and services.

SRC's Purpose

SRC creates wealth through the responsible application of science and technology to assist Saskatchewan industry to be globally competitive.

We create wealth by

i) increasing production (of goods and services)
ii) adding value (to goods and services)
iii) improving productivity
iv) creating and commercializing new products and services

The Research Council Act

Section 21 (2) directs that:

Every report shall be laid before the Legislative Assembly in accordance with *The Tabling of Documents Act, 1991.*

102-01396/

Letter of Transmittal

May 2001

Letter of Transmittal

To the Honourable Lynda Haverstock

Lieutenant Governor of Saskatchewan

May it please your Honour:

The undersigned presents herewith, for your consideration, the report of the Saskatchewan Research Council for the year ended March 31, 2001.

Respectfully submitted,

Maynard Sonntag

Minister Responsible for SRC

Message from the Chair

This has been a most unusual year for SRC.

SRC's Board of Directors was replaced during the year and the new Board has taken up the challenge to work closely with management in the fulfillment of SRC's mission. While the Board recruits a new President, Acting President/CEO Dan McFadyen has done an exemplary job under unusual circumstances, helping us to work through some difficult issues and to move forward with the Council's research and business agenda. Despite this unique state of affairs, this Annual Report shows SRC performed well and has received high ratings in its customer satisfaction survey.

The SRC Board also concentrated its efforts on development and enhancement of the working relationships with our many partners. These include private corporations, industry organizations, economic development organizations, universities and technical schools and provincial and federal government departments and agencies. We (SRC) must continue to strengthen our lines of communication with these partners to benefit all.

SRC's Board and management are committed to following the principles of good corporate governance. The following definition of corporate governance taken from the 1994 Dey Report to the Toronto Stock Exchange, while meant for publicly-traded companies, can be applied to the governance policies of SRC. (The Shareholder is the Province of Saskatchewan whose interests are represented to the Legislative Assembly by the Minister Responsible for SRC).

"Corporate governance means the process and structure used to direct the business and affairs of the Corporation with the objective of enhancing shareholder value, which includes ensuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the Board of Directors and management. The direction and management of the business should take into account the impact on other stakeholders such as employees, customers, suppliers and communities."

The impressive expertise, capabilities and performance of SRC's scientists, engineers, technologists, technicians and support people are demonstrated in this year's Annual Report entitled "Ideas. Opportunities. Achievements." These "achievements" show what is possible when "ideas" are developed into "opportunities".

On behalf of the Board of Directors I express our thanks to all at SRC for their excellent performance. We are excited about SRC's future and the opportunity we all have to play a significant role in Saskatchewan's development.

Jim Hutch
Chair

Management Letter

While "Technology Is Our Business", it is our clients who we are in the technology business to serve. Despite the significant transition in governance and management at the SRC in the past year, SRC's employees and managers kept their focus on serving the needs of our clients. Thanks to the professionalism and commitment of our employees, we continued to deliver quality and timely products and services to our customers.

Our success in meeting our client commitments was a critical factor in realizing a positive financial outcome for the past year. An equally important contribution to our bottom line was the ability of our staff to meet the challenge of changing circumstances in market conditions and other factors beyond our control by successfully pursuing new revenue sources and/or controlling internal costs. Consequently we ended the year with a strong balance sheet and a significant net income.

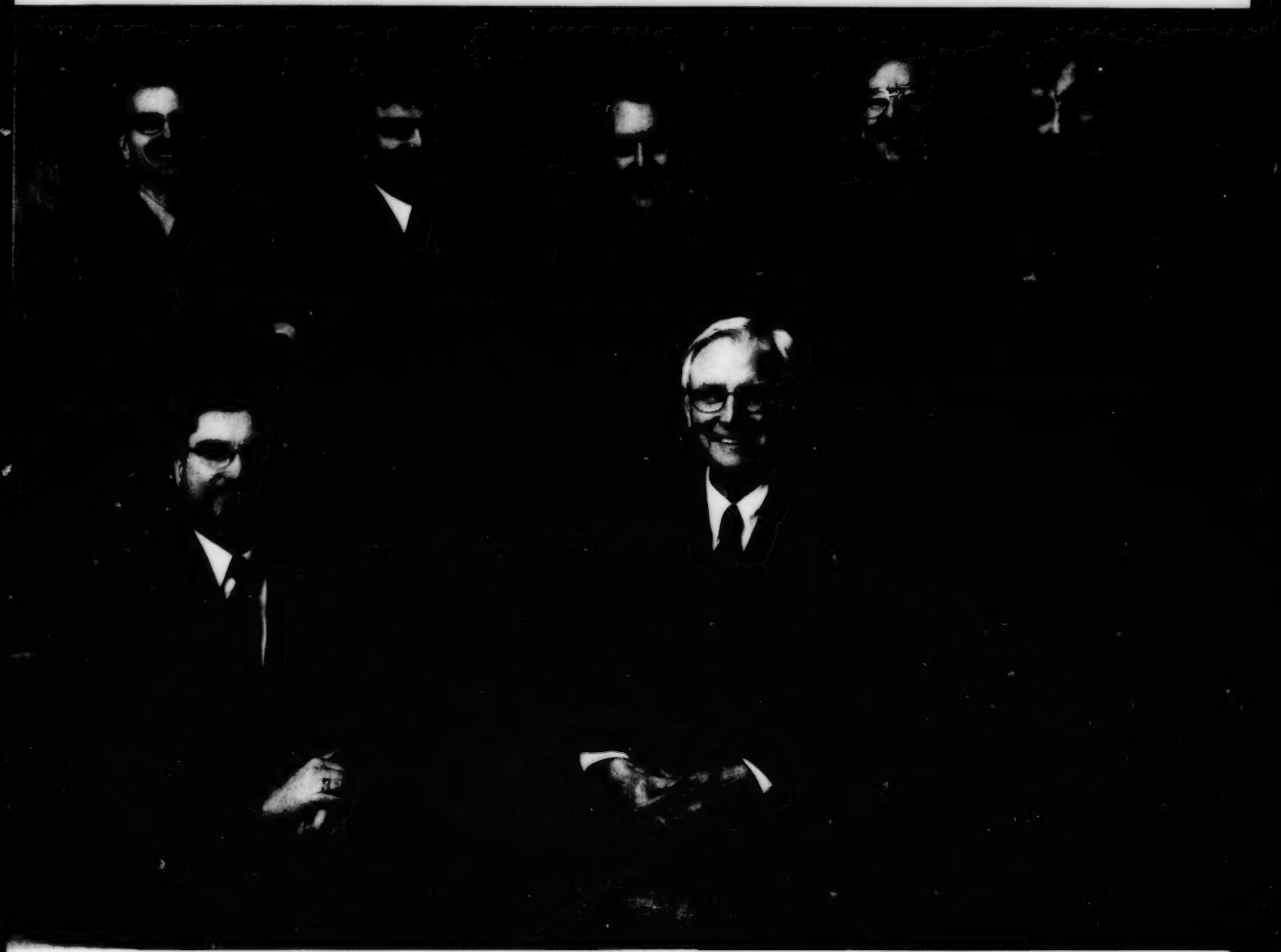
The SRC has the potential to play an even more important role in increasing economic wealth and prosperity in Saskatchewan through advancing and supporting the development and commercialization of technology. This past year we have focussed on reviewing our role and how we can work more effectively with other economic development departments and agencies of the government. We have started to use a longer term planning horizon to ensure that we are better able to anticipate and adjust to changing circumstances and opportunities. We have made a concerted effort to ensure we are "plugged in" and supporting the development of new strategic initiatives in the province such as bioproduct industry development and new environmental management initiatives.

The SRC, through the strength of our people, sound financial performance, effective strategic planning and positive engagement and partnering with other economic development agents in Saskatchewan, is well placed to make a significant and growing contribution to economic prosperity in Saskatchewan.

Dan McFadyen, PEng
Acting President/CEO

Bryan Schreiner, PhD, PEng, PGeo
Acting Chief Operating Officer

Crystal Smudy, CA
Chief Financial Officer



The Board of Directors

from left to right, front to back

Mr. Michael Monea, Regina, Vice-Chair - President, Flatland Exploration Ltd.

Mr. Jim Hutch, Saskatoon, Chair - President, Hutchtech Inc.

Mr. Doug Kelln, Regina, Secretary - Vice President, SaskEnergy Inc.

Mr. Craig Zawada, Saskatoon - Partner, Wallace Meschishnick Clackson Zawada

Mr. Keith Hanson, Saskatoon - President, Sun Ridge Group

Mr. Larry Cooper, Saskatoon - President, Scientific Instrumentation Inc.

Mr. John Bennett, Biggar - Owner and Operator, Beckman Farms Ltd.

Ideas
Opportunities
Achievements

Ideas are the starting point. Ideas from our clients, our partners, our staff. With our skills, knowledge and expertise, together we turn these ideas into **opportunities**. Opportunities for new products and markets. Opportunities to grow Saskatchewan's economy. It is through this collaboration that we are able to reach our shared destination: **achievement**. The journey from ideas to opportunities to achievements is ever-changing. What remains constant is our commitment to clients. Ideas, opportunities, achievements. These three words sum up the past year for SRC. They also speak to our future.

Beginning on page seven, we highlight client stories of acheivement under seven broad areas of SRC activity.

Agricultural Biotechnology

Energy and the Environment

Manufacturing and Product Design

Mining and Mineral Exploration

Petroleum and Oilsands

Saskatchewan and the World

A Foundation for the Future

Saskatchewan Research Council's Organizatior

Biotechnology Branch

The Biotechnology Branch's advanced facilities and knowledgeable team of scientists and technologists are valuable resources for the biotechnology and agricultural sectors. We provide optimum, highly controlled conditions for these sectors to carry out product research and development. We stress confidential, rapid service and flexible scheduling to meet our clients' needs.

Our capabilities in animal and plant genetics include advanced gene mapping, and DNA testing to confirm parentage or breeder's rights, as well as identify genes that are economically important or that help detect abnormalities. We deliver many services for conventional and exotic livestock through a joint venture with Bova-Can Parentage Testing Inc. – Bova-Can Laboratories.

SRC's fermentation capabilities and facilities enable biotech clients to improve processes or develop new non-chemical agricultural products - such as vaccines, inoculants, and bio-control agents - by scaling up laboratory processes to commercial production.

Business Development

This Branch pursues new business opportunities in Saskatchewan and around the world. We also manage SRC's technology commercialization subsidiary. TecMark International invests in promising early stage technologies, retains ownership, protects, licenses, and commercializes technologies developed at SRC.

The Branch promotes SRC's services through business missions at home and abroad. We work with other branches to prepare a variety of marketing, business development and information tools.

Our staff contribute to SRC's building of networks through corporate event planning, trade show participation, and government liaison.

Commercial Laboratory Services

This Branch offers commercial analytical services to industrial, government, consulting and private clients located within and outside of Saskatchewan. It consists of analytical and geoanalytical laboratories located in Saskatoon, and a transformer oil testing laboratory in Regina. The analytical laboratory provides environmental test services and expertise in organic, inorganic and radio chemistry, including use of a SLOWPOKE II nuclear reactor. The geoanalytical laboratory provides specialized geochemical analyses to the uranium, diamonds, gold and base metals exploration industries. The newly established transformer oil testing laboratory provides ASTM testing and dissolved gas analysis

services to a growing number of electric utility and transformer maintenance companies.

Corporate Administrative Services

This Branch contributes to the effective functioning of all branches of SRC by providing administrative services and operational support. The Branch manages SRC's facilities, and is a leader in the planning and construction of major infrastructure projects like SRC's new Pipe Flow Technology Centre.

The Branch works with a range of government departments and other authorities to ensure SRC's compliance with federal, provincial, and municipal acts and regulations.

Corporate Performance

This Branch enhances SRC's focus on business and human resources excellence. We lead performance management projects to ensure that appropriate key indicators are used to evaluate SRC's performance. Branch staff are also responsible for SRC's corporate relations, such as SRC's Board and the Management Committee of Bova-Can Laboratories as well as our education-oriented community initiatives.

Staff Resource Services (SRS) provides expertise in strategic hiring, staff training and development, compensation and benefits, employee relations, and succession planning. SRS also ensures that SRC complies with provincial labour laws and provincial and federal human rights laws.

Environment

The Environment Branch contributes to the safe, sustainable development and use of the province's natural environment and resources. Many of the Branch's clients are from the resource industry sector. They contract research that will help them meet regulatory requirements for environmentally acceptable operation. As well, governments at all levels and other agencies fund studies that will enable them to assess resource or industrial development projects, and to draw up monitoring and mitigation strategies to protect the environment.

Financial Services

Financial Services provides services to help SRC implement sound financial policies. Our staff assist management with decision making, planning, budgeting, and billing processes, and administer an accounting/payroll system and the SRC Pension Plan. We also interact with regulatory and legislative authorities to ensure SRC fulfills its obligations.

Mineral Exploration

The Mineral Exploration Branch develops new geological models/concepts and predictive tools for conducting strategic and cost-effective exploration. Based on an understanding of the geological processes leading to mineralization, these models and tools help clients identify areas with the highest potential for economic deposits of uranium, gold, diamonds, and base metals. Contract research is supported by expertise in field mapping, structural geology, mineralogy, geochemistry, petrology, and petrography.

Petroleum

This Branch advances the effective use of enhanced oil recovery and production technologies by companies operating in western Canada's oilpatch. We apply expertise in reservoir engineering, scaled physical modelling and numerical simulation, and oilfield operations to solving technical challenges posed by the province's petroleum resource, particularly heavy oil. Our capabilities are complemented by the Process Development Branch's programs in field-scale upgrading, pipelining, and artificial intelligence.

Process Development

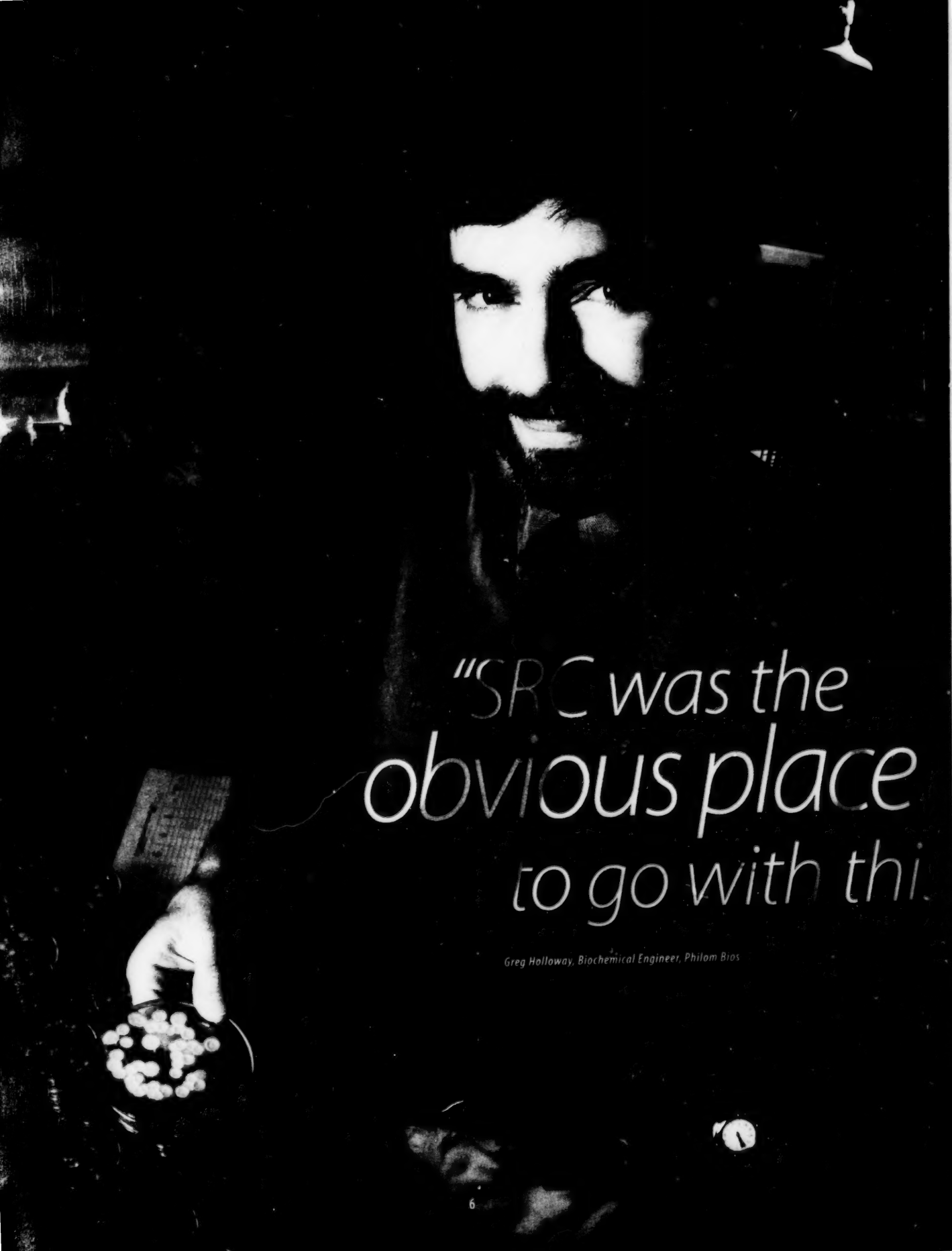
The Process Development Branch provides engineering research services to several sectors, notably petroleum, automotive, agricultural, chemical and mining. Innovative technologies developed with clients and partners enhance the value, cost-effectiveness, environmental impact, and safety of products and practices.

Alternative Energy & Intelligent Systems is a Canadian leader in the development of natural gas/fuel cell vehicles. Our Pipeline staff offer unparalleled full-scale pipe flow R&D to resource industries. Process Engineering is a multidisciplinary group that develops continuous processes for a number of sectors. It operates an Analytical Services Unit in Regina.

Small Industry Services

The global competitiveness of Saskatchewan's small- and medium-sized enterprises (SMEs) is enhanced through this Branch's activity. We offer confidential assistance with design, engineering, instrumentation, prototyping, and marketing for product and technology development. We help clients to improve their productivity and profitability, and to reduce energy consumption.

We link SMEs to suitable sources of funding and technical or business advice. SRC has a long-term relationship with the National Research Council's Industrial Research Assistance Program (IRAP) in the province through which it participates in the delivery of IRAP's support to Saskatchewan's industry. The Branch also offers specialized digital mapping of satellite data.


"SRC was the
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to go with thi.
Greg Holloway, Biochemical Engineer, Philom Bios

Agricultural Biotechnology

Agricultural biotechnology is one of the keys to unlocking Saskatchewan's future. Building on our strengths, SRC is working to ensure that Saskatchewan's share of the global "agbiotech" market continues to grow and our agbiotech companies continue to lead.

Philom Bios - making a good thing better

Philom Bios is an agricultural biotechnology leader. Known as "the inoculant company", Philom Bios has been developing, manufacturing and marketing yield-building inoculants for all major crops since 1980. The success of Philom Bios has been a catalyst for other successes in Saskatchewan's growing agbiotech sector.

"Working with SRC and having access to their pilot plant and know-how has made a real difference to us," says Greg Holloway, a biochemical engineer at Philom Bios.

The farm input products the company develops are bio-based rather than chemical, which is why they are considered crop "inoculants". The concentration of microorganisms has to be just right for the product to be effective.

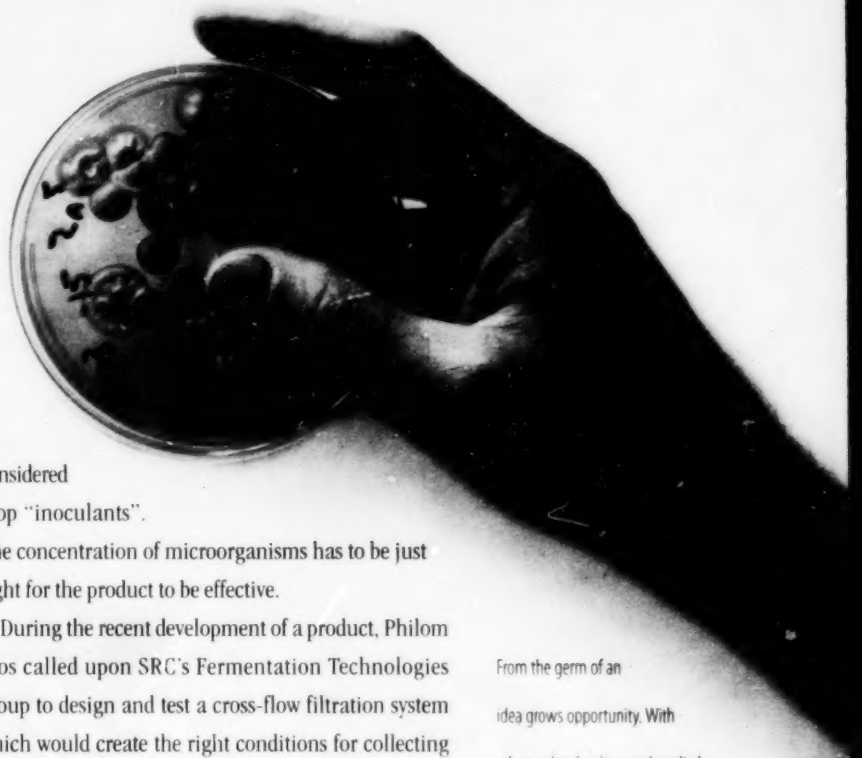
challenge"

During the recent development of a product, Philom Bios called upon SRC's Fermentation Technologies group to design and test a cross-flow filtration system which would create the right conditions for collecting the microorganisms to be used in a granular inoculant. If incorrectly operated, cross-flow filters can become clogged which will reduce their efficiency and may lead to the product material having undesirable qualities.

"SRC was the obvious place to go with this challenge," Holloway explains. "We knew they could model it, test it and help us come up with a filtration system that would work."

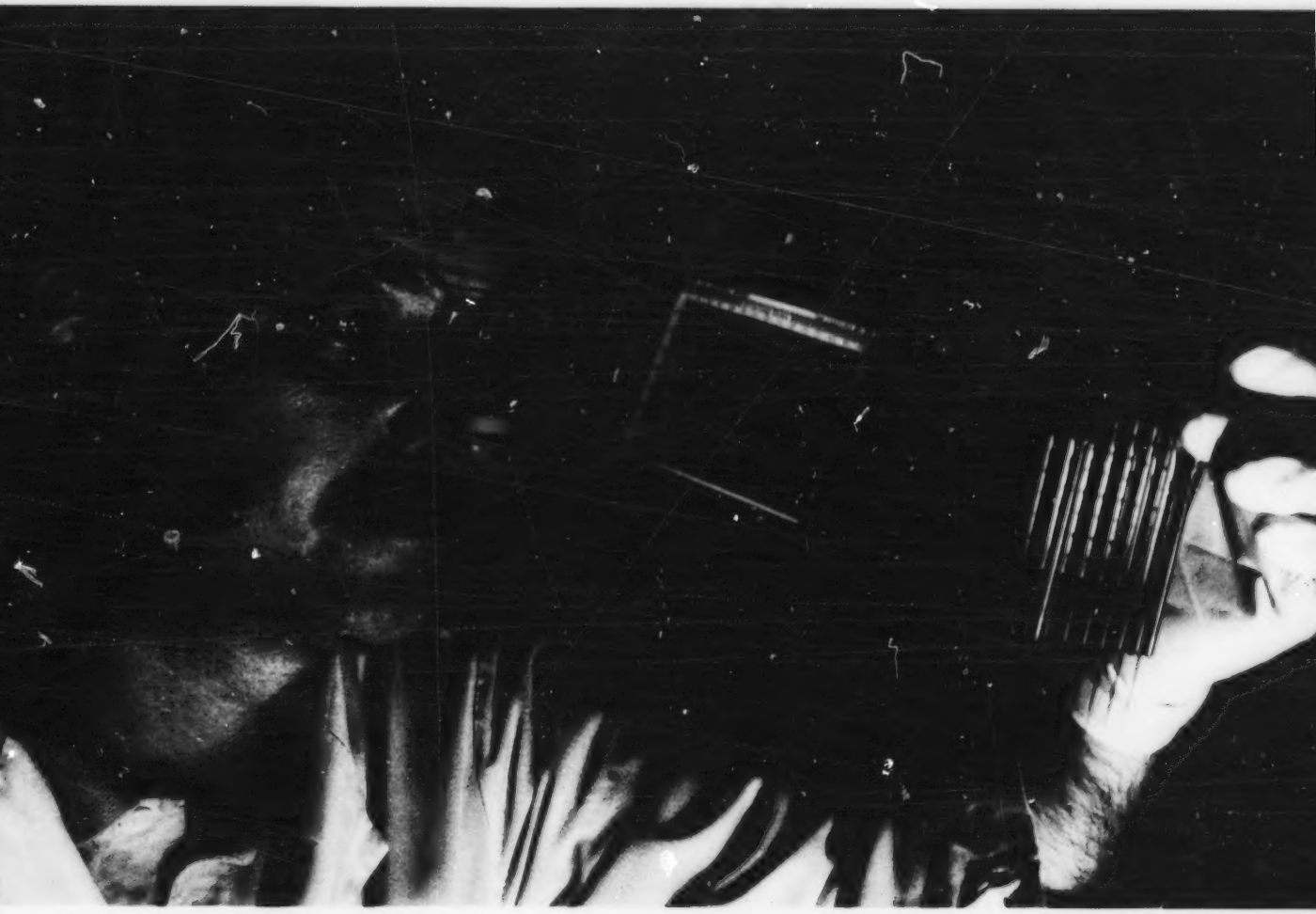
And that's exactly what happened. As a result, farmers now have a new, organic input option, a granular inoculant that can be seeded with the crop.

"We've always found SRC to be a strong partner," says Holloway. "They're always willing to speak up and to provide the right technical advice, but they're also ready to be flexible to meet our needs." ■



From the germ of an idea grows opportunity. With advanced technology and applied expertise, SRC helps give Saskatchewan businesses a leading edge.

Left: Greg Holloway in the Quality Assurance Laboratory at Philom Bios. Working with SRC's Fermentation Technologies group, Philom Bios was able to develop a new process and a new organic crop inoculant.



Ernie Lennox prepares a DNA sample for testing at Bova-Can Laboratories. By working closely with the industry, SRC is ensuring the quality and marketability of Canada's livestock herd.

Canadian Holstein Association - Ensuring the future of the Canadian livestock industry

Livestock is big business. In 2000, the industry generated more than $1-billion in Saskatchewan alone. Keeping this business thriving and moving forward is a matter of good business practices and sound decisions. It's also a matter of science.

The Canadian Holstein Association is responsible for maintaining the health and quality of Canada's Holstein herd. The Association places an extremely high value on the integrity of its herdbook, the written record of the Holstein lineage in Canada.

There's good reason for the Association's vigilance. When Canadian livestock is sold, either internationally or within the country, buyers insist on knowing that the stock they're purchasing is registered. It adds value not only to the individual breeder's stock, but to the whole Canadian herd.

"The value of animals, semen and embryos involved in milk production, pedigree sales and exports is largely determined by knowledge or expectation of breeding values and by the genetic merit of their ancestors," explains Glenn Cherry, Registrar for the Canadian Holstein Association. "Without accurate pedigrees, breeding values would be erroneous, genetic progress slowed and markets curtailed."

The work done at SRC's Bova-Can Laboratories is

Agricultural Biotechnology *continued*

helping to ensure not only that the Holstein Association's herdbook is accurate, but that the quality of that herd continues to improve. Bova-Can provides the Association with 7,000 parentage tests each year, examining genotypes to ensure the ongoing integrity of the herdbook.

Beyond that, genetic research undertaken at Bova-Can is making new herd improvements possible. For example, this research has made it possible to test cattle for the presence of kappa-casein, a milk protein associated with higher milk production and better cheese-making properties. Similarly, gene mapping has made it possible to identify which dairy cattle will produce milk of higher protein or lower fat or even which cattle will be able to produce longer.

"We rely on SRC's ***expertise and state-of-the-art facility."*** *Glenn Cherry, Registrar, Canadian Holstein Association*

These scientific breakthroughs, achieved in partnership with the dairy and livestock industries, will help build a strong and healthy future for these industries in Canada. They will also help maintain Canada's reputation for livestock quality around the world.

"The Association is not content to simply rest on its laurels because we must always work to protect the interest of our members and to maintain our prominence in the global market place," Cherry says. "We rely heavily on Bova Can Labs and the SRC's expertise and state-of-the-art facility to help us achieve this. We do so with confidence."

Bova-Can Laboratories is a Joint Venture Agreement between Bova-Can Parentage Testing Inc. and the Saskatchewan Research Council.

Other 2000-2001 Highlights

Fermentation Technologies:

- a laboratory protocol for production of protein antigen vaccine was scaled-up to 300L volume.
- a down-stream processing service was provided for recovery of fungal biofertilizer.
- enzyme hydrolysis was developed for conversion of flax and hemp fibre to fermentable sugars.

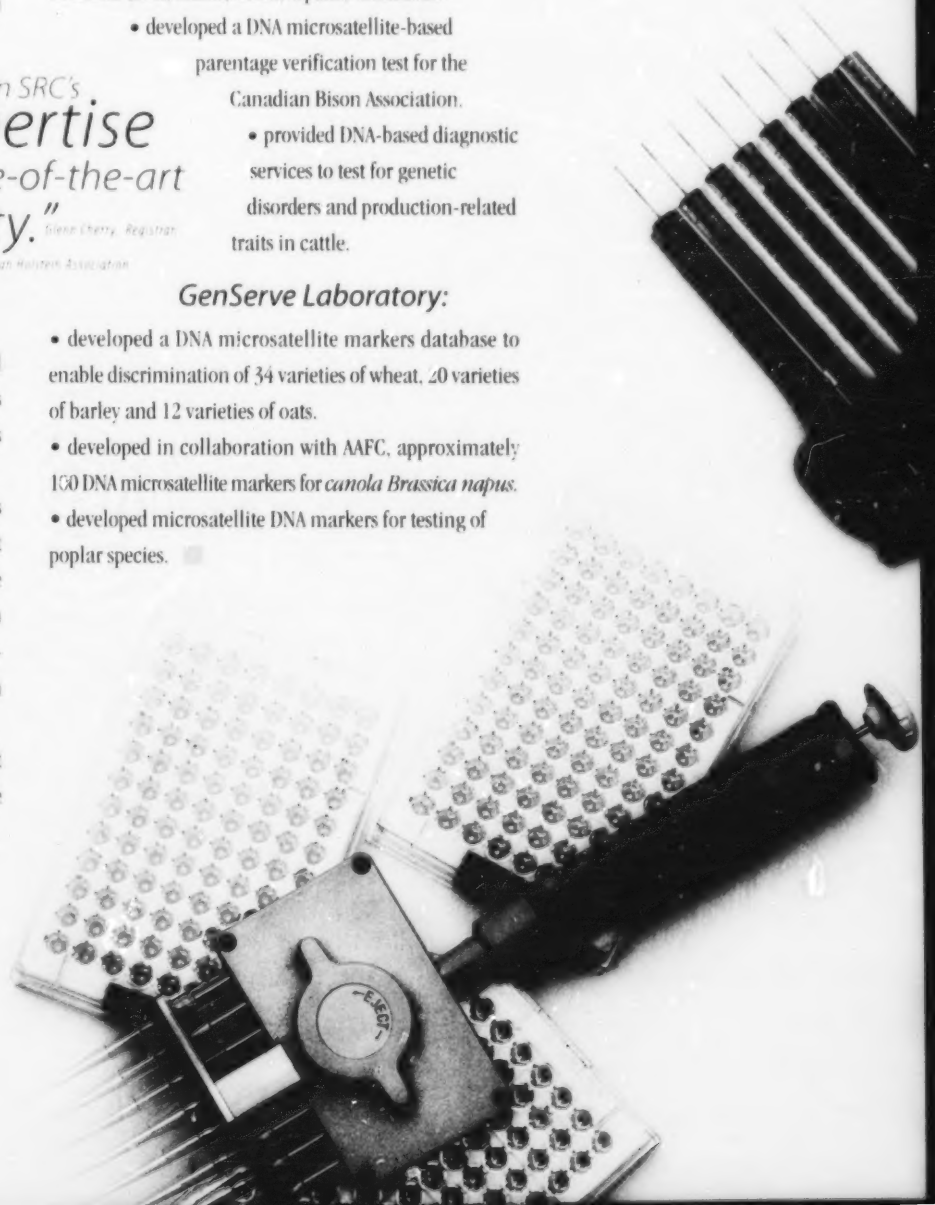
Bova-Can Laboratories:

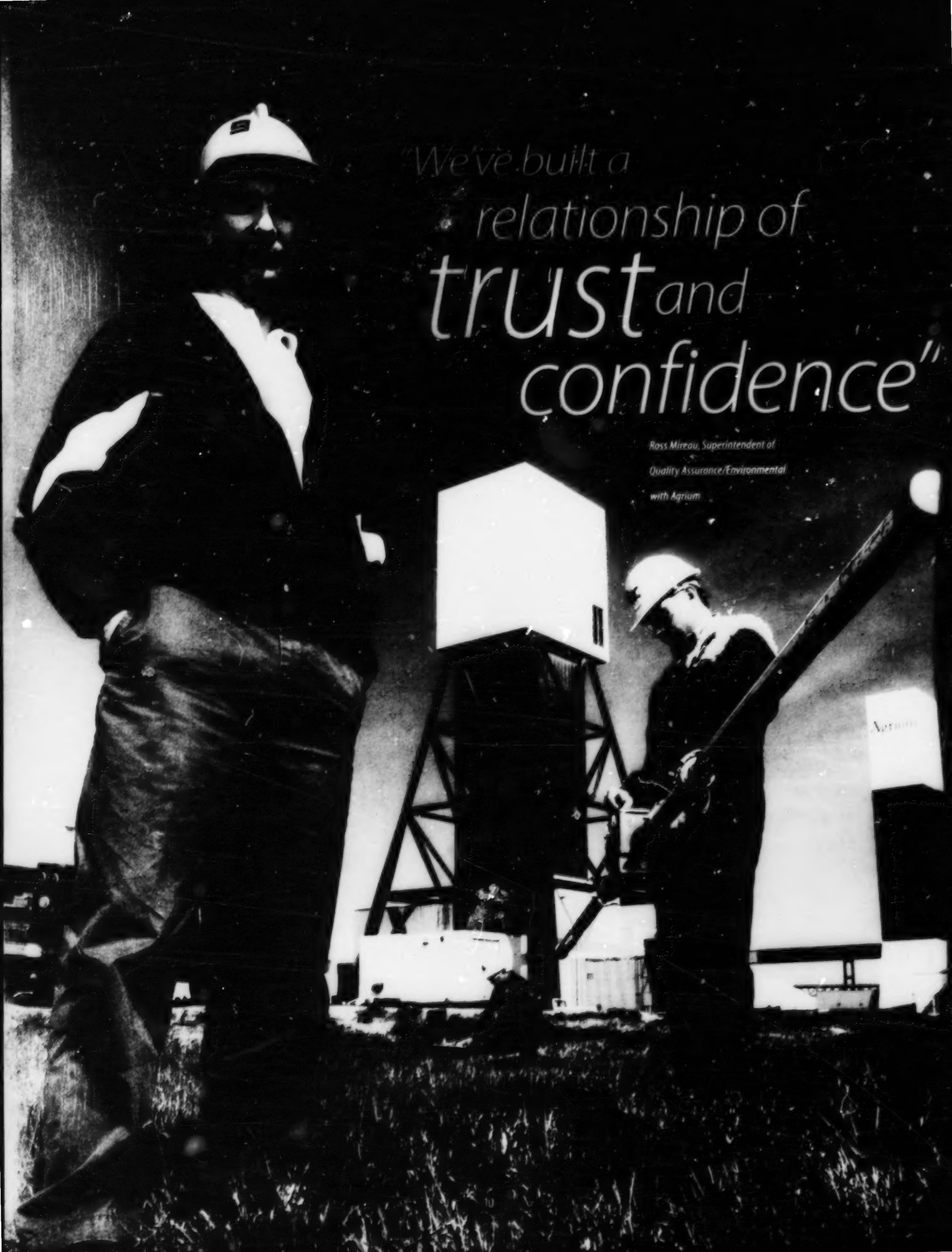
- provided DNA microsatellite-based parentage verification services to Canadian beef and dairy cattle, and alternative livestock (deer, llama, bison, alpaca) industries.
- developed a DNA microsatellite-based parentage verification test for the Canadian Bison Association.
- provided DNA-based diagnostic services to test for genetic disorders and production-related traits in cattle.

GenServe Laboratory:

- developed a DNA microsatellite markers database to enable discrimination of 34 varieties of wheat, 20 varieties of barley and 12 varieties of oats.
- developed in collaboration with AAFC, approximately 130 DNA microsatellite markers for *canola Brassica napus*.
- developed microsatellite DNA markers for testing of poplar species.

By bringing expertise, knowledge and leading-edge technologies together, SRC helps its clients exceed expectations. SRC carries out more than 50,000 DNA tests each year for a broad range of clients.




"We've built a
relationship of
trust and
confidence"
Ross Mireau, Superintendent of
Quality Assurance/Environmental
with Agrium

Energy and the Environment

Science is about finding solutions. Often, it's about using knowledge to meet challenges that are found right on the front pages of the newspaper. Nowhere is this more true than in the areas of Energy and the Environment, where SRC's know-how is being applied to some of the most pressing and topical issues of our time.

Agrium - meeting and exceeding expectations

Agrium is a leading global producer and marketer of fertilizer and a major retail supplier of agricultural products and services. In Saskatchewan that also means that Agrium is actively mining the province's rich potash deposits.

Agrium's relationship with SRC began in the mid-'60s, when scientists from the two organizations worked together to develop a groundwater protection strategy for Agrium's Vanscoy potash mine, east of Saskatoon.

For more than 30 years, that work has helped form the benchmark of ongoing groundwater protection and it has been the basis of a solid professional relationship between Agrium and SRC.

"Back in the '60s, there was no one else around who could do what we needed in environmental protection," explains Ross Mireau, Superintendent of Quality Assurance/Environmental with Agrium. "There had been no history of potash, no framework, so we needed to work with someone with the skills to create that framework."

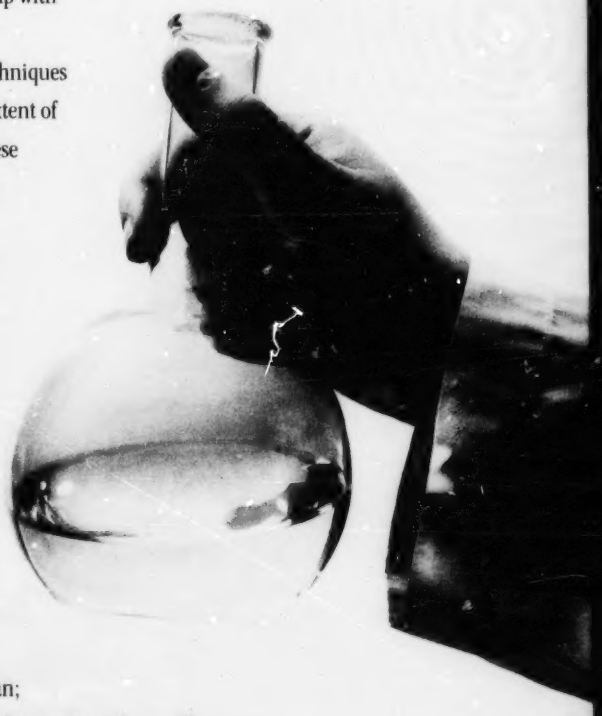
Along with developing the geological and hydrogeological settings, SRC's team of scientists and technicians regularly monitor the groundwater at Agrium's mine site, keeping ongoing records and providing regular performance evaluation.

In the '80's SRC, in partnership with Agrium, pioneered the use of electromagnetic geophysical techniques to determine and monitor the extent of subsurface brine migration. These techniques are still in use today. Throughout the history of the relationship with Agrium, SRC has continued to keep pace with change in monitoring techniques and has often led it.

"We look to SRC to help us minimize the impact of our operations on the local environment," Mireau says. "The depth of knowledge; the hands-on understanding of Saskatchewan; and the large database of information; these all combine to make SRC an invaluable resource for companies like ours."

Along with providing geologic and groundwater expertise, SRC also monitors outdoor and indoor air quality at the mine site.

"Over the years we've built a relationship of trust and confidence with SRC," Mireau adds. "In the science, in the people and in the professionalism." ■



The quality of water, air, soil and animal tissue is constantly being monitored by SRC.

Left: Agrium's Ross Mireau with SRC groundwater testing crew using computerized electro-magnetic sensor at the company's Vanscoy potash mine. SRC has worked with Agrium for three decades to track groundwater migration and monitor water and air quality.

As energy costs rise, investments in new technologies and conservation pay off. SRC provides builders and homeowners with the information they need to trim consumption while maintaining building quality. Here, Jerry Makohon tests the energy efficiency of different lighting types at an SRC Building Performance Laboratory.

"What impressed us was the commitment"

Dan Fugler, senior researcher, CMHC

Canada Mortgage and Housing Corporation - seeking answers for the future today

With energy costs soaring and concern over greenhouse gas emissions growing, a research project initiated by Canada Mortgage and Housing Corporation (CMHC) and carried out by SRC may have a real impact on the lives of Canadian homeowners in the years ahead.

CMHC launched the project to find ways to make Canada's older residential homes more energy efficient, seeking ways to reduce individual home energy consumption by 40%. To find out if this goal was attainable, they asked researchers and contractors from across the country to submit proposals. From those

Energy and the Environment, continued

received, they chose the one submitted by the SRC's Building Performance Group.

"What impressed us with SRC's proposal was the commitment," says Don Fugler, a senior researcher at CMHC. "They had the houses and homeowners lined up and a solid understanding of what we're trying to achieve."

Six Saskatoon homeowners have committed to participating in the project. Each aspect of their home energy consumption has been measured and monitored by SRC researchers and a number of remedial steps have been recommended, from energy efficient light bulbs and appliances to new windows and furnaces. While SRC is providing the monitoring and advice as part of its contract with CMHC, the homeowners are paying for each of the improvements.

The homes will be monitored for a full year to measure the reduction in energy consumption.

"In the past, we've been able to attain savings of 5 or 10 or even 20%, but if we're going to achieve a serious reduction in residential greenhouse gas emissions, then savings on the order of 40% are needed," Fugler says. "While we can't foresee the outcome of this project, we believe that if it's possible, the team at SRC will do it."

Other 2000-2001 Highlights

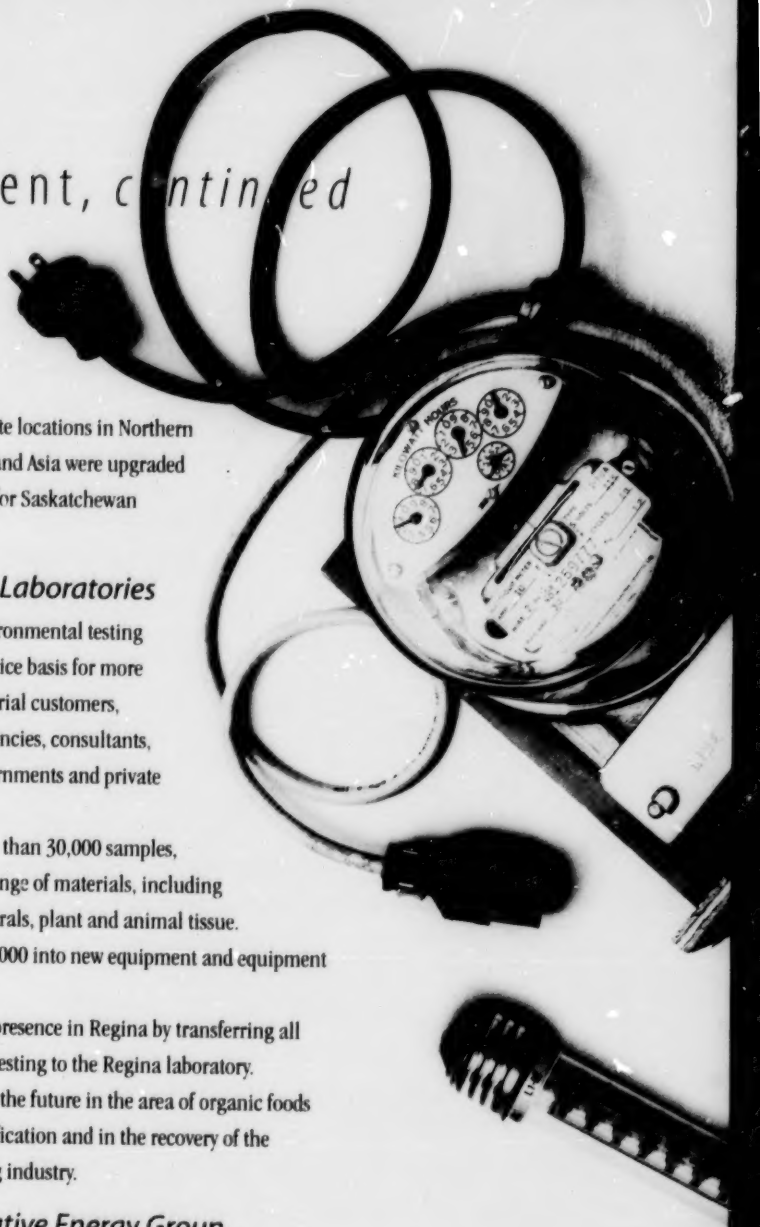
- began land cover mapping of Saskatchewan's north using satellite-based remote sensing technology. Project partners include the Prince Albert Grand Council, Meadow Lake Tribal Council, Saskatchewan Environment and Resource Management and SRC. Major funding is provided by Western Economic Diversification.
- energy audits on 27 ice rinks and 7 residential buildings containing about 80 housing units each were conducted and advice as to how to reduce energy consumption was provided.
- environment monitoring stations previously installed by SRC in remote locations in Northern Saskatchewan and Asia were upgraded and calibrated for Saskatchewan clients.

Analytical Laboratories

- provided environmental testing on a fee-for-service basis for more than 300 industrial customers, government agencies, consultants, municipal governments and private individuals.
- handled more than 30,000 samples, testing a wide range of materials, including water, soil, minerals, plant and animal tissue.
- invested $300,000 into new equipment and equipment upgrades.
- strengthened presence in Regina by transferring all transformer oil testing to the Regina laboratory.
- sees growth in the future in the area of organic foods testing and certification and in the recovery of the uranium mining industry.

The Alternative Energy Group

- have received a patent for an electronic regulator.
- patent covering an electronic controller for the regulator is progressing.
- electronic monitoring system for measuring high-pressure storage tank integrity and controlling refueling is in development.
- all technologies were developed for natural gas-powered dual fueled vehicles and have immediate application for hydrogen-powered fuel cells.



SRC meets today's challenges with tomorrow's solutions. New technologies are making a difference in saving energy and money.

take the
best thinking
available and

Manufacturing and Product Design

Saskatchewan's manufacturing businesses are known for their innovation. Helping those businesses succeed in putting their ideas into action and reaching world markets is a special focus of SRC. Our partnerships, expertise and commitment to Saskatchewan business are a valuable asset for Saskatchewan manufacturers.

Doepker Industries - Growing into the future

Doepker Industries is a leading manufacturer of highway trailers in Western Canada. The family business was started as a repair shop in 1948, ventured into farm equipment manufacturing, and in 1972, produced its first grain trailer. The company has experienced growth in production, sales and employees, and is now producing at a rate of over 1000 units per year from plants in Annaheim and Moose Jaw.

Doepker Industries is one of many Saskatchewan manufacturers who have participated in SRC's business diagnostic studies. These studies identified the company's strengths and weaknesses, analyzed markets and developed an action plan to help prepare Doepker for the future.

"Our success depends on our willingness to be open-minded and seek better alternatives," says David Doepker, President of Doepker Industries. "SRC has helped us take the best thinking available and put it in place."

The range of services that SRC has provided for Doepker Industries is a broad one. When skills shortfalls were identified, SRC helped the company develop a training process. An inadequate management information system was improved to allow better inventory management. A new engineering software package was put in place. Three robotic cells are being added to the company's production. Each of these steps came as a result of SRC's assessment and action plan development.

"From acting as our advisors to helping us implement solutions, SRC excelled," Doepker says. "Saskatchewan needs the kind of thinking that SRC offers."

out it in place"

David Doepker, President of Doepker Industries

Right: SRC provides clients with new perspectives so their hard work will pay off. Isometric drawings generated by new software improve effeciency and productivity.

Razertip Industries - Sharp enough to find answers

Razertip Industries' Cam Merkle at SRC's Product Design and Development Lab. By applying technical knowledge and creative thinking to the challenge, SRC helped bring Razertip's advanced dust collector product to the market.

Razertip Industries is a small Saskatchewan manufacturer that specializes in the design and manufacture of tools for the wood and bird carving markets. The company is headed up by Cam Merkle, a renowned Saskatchewan wildlife artist.

For years, Merkle, like most bird carvers, accepted sawdust as a necessary hazard of his work. In his travels to shows across North America, he was unable to find an effective solution. He decided to develop one.

"The dust collectors that were on the market were poorly-designed and poorly-built," Merkle explains,

Manufacturing and Product Design *continued*

"so I came to the conclusion that if I designed an effective dust collection system for myself, it would meet the needs of other people, too."

After spending eight years on the concept and design, Merkle built a working prototype and approached SRC to find ways to make manufacturing the product possible.

Working with SRC's Product Design & Development Team, airflow was optimized to make the fan unit as efficient as possible. From there, Merkle and SRC worked to find ways to convert his wooden prototype to a plastic product.

The designer had some pretty stringent criteria. Along with being small and efficient, Merkel wanted to make sure that each component of the equipment attached easily, without tools. Making this possible presented a number of challenges, but Merkel, with SRC offering alternate designs along the way, met the challenges.

"I was impressed not just by the knowledge of plastics, but by the creative thinking that went into their work," Merkle says. "They helped make this possible."

The company is now manufacturing the dust collector and marketing it across North America. New applications for the dust collector are being explored.

"I was impressed by the creative thinking"

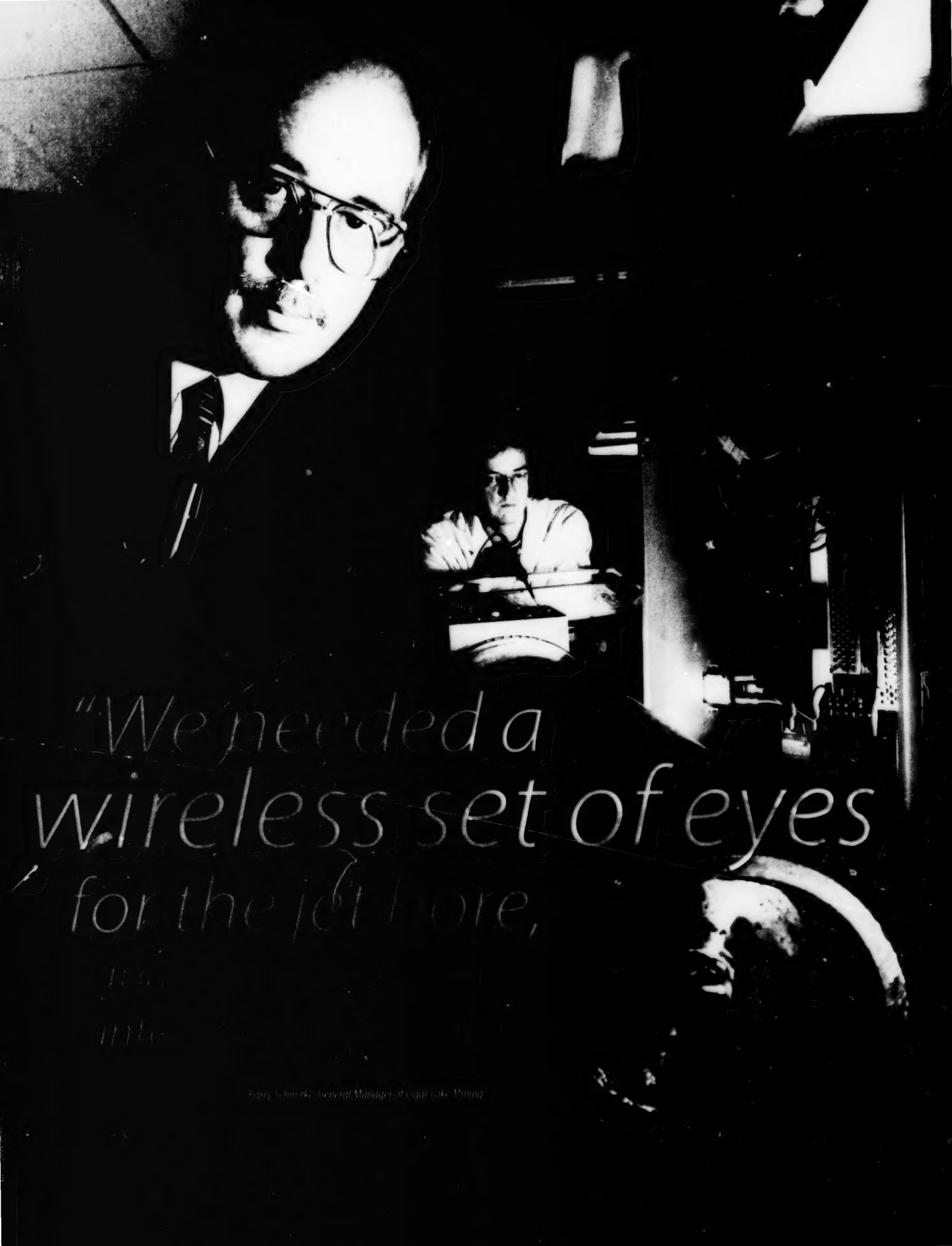
Cam Merkle, President of Razertip Industries.

Other 2000-2001 Highlights

- SRC worked with the mining industry and pump manufacturers to test a number of centrifugal slurry pumps.
- provided Industrial Technology Advisors (ITAs) that worked in the National Research Council's Industrial Research Assistance Program (IRAP). SRC's ITAs had 1,186 interactions with clients and managed $324,000 of funding for 32 company projects.
- provided the Saskatchewan network coordinator to the Canadian Technology Network, a network of 57 provincially-based private and public organizations that provide services to small and medium enterprises (SMEs).
- shared the cost with IRAP of an inventor's program that provided technical advice to 40 inventors and very small (start-up) companies.
- facilitated IRAP's pilot program in competitive intelligence that provided market intelligence on a sector basis.
- conducted a diagnostic analysis of the residential construction sector in the province, identifying the needs and opportunities for collective improvement for the participants of this industry.
- delivered seminars on the roles that engineering and marketing play in the development of new products to audiences in 10 rural communities.
- Product Design and Development Section delivered 41 client-funded mechanical and plastics projects. Its Instrumentation and Electronics Section worked on 39 electronics/software based products for clients ranging from individual inventors to medium sized manufacturing companies.
- conducted research and development work on building materials and energy reduction equipment in cooperation with companies in Saskatchewan, British Columbia, Ontario and Texas. ■

SRC helps clients carve out new opportunities.

Razertip's dust collectors and technology are in demand worldwide.


"We needed a
wireless set of eyes
for the job here,

Mining and Mineral Exploration

SRC has had a long and strong relationship with the mining industry in Saskatchewan. From offering the services that support exploration to providing leading edge innovation, SRC is a valuable asset for the mining industry, helping it turn ideas into achievements.

Cigar Lake Mining - Taking new technology to new depths

Cigar Lake is the largest undeveloped high-grade uranium deposit in the world, with proven and probable reserves of 232 million pounds. Discovered in 1981, the deposit is being developed through a joint venture of some very recognizable names in the Canadian mining and uranium industries: Cameco, Cogema, Idemitsu Exploration and TEPCO Resources.

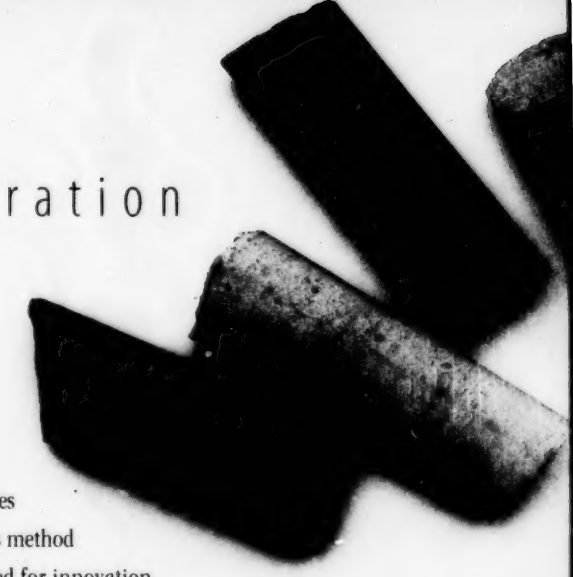
The Joint Venture participants are preparing for a possible start-up in 2005 and anticipate taking new technology into the ground when the mine is operational; technology developed in partnership with SRC.

Because of the unique geology and 450-metre depth of the Cigar Lake deposit, the company has tested the use of the Jet Boring Mining method, which uses water at pressures as high as 14,700 PSI to actually carve out an ore cavity. With the ore being frozen, the high pressure water exiting the jet at 40 degrees celsius and the jet borer being operated from 15 metres below the ore body, applying this method to mine the Cigar Lake ore called for innovation. That's when Cigar Lake personnel approached SRC's Instrumentation and Electronics lab.

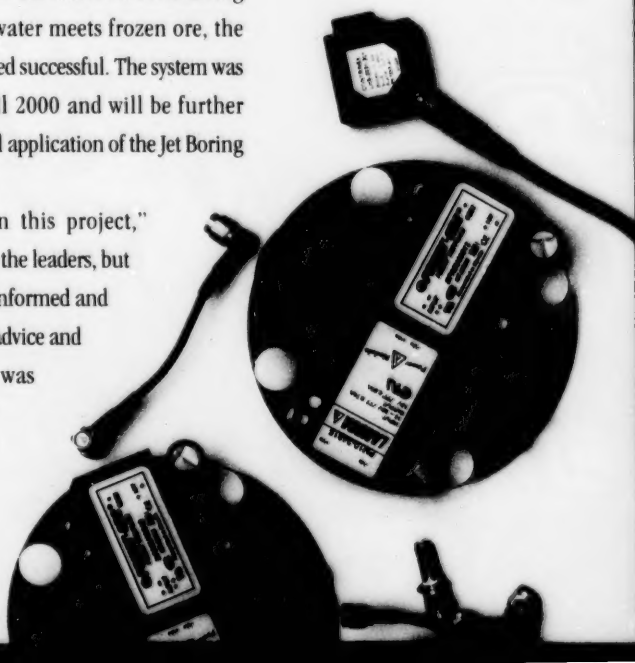
"In order to consider using this mining method, we needed to develop a set of eyes for the jet borer so we could know where it was mining, and how big the cavity was becoming," explains Barry Schmitke, General Manager of the Cigar Lake Project. "We needed to develop a very sophisticated piece of equipment that was also tough enough to withstand the intense environment it would operate under. To make it even more challenging, it had to be wireless."

Working with a team of partners from the private sector, SRC pursued two possible solutions to the Cigar Lake challenge: laser and ultrasonic sensors located above the nozzle on the jetting rods. While the laser option was discovered to be ineffective in the thick fog caused when 40 degree water meets frozen ore, the ultrasonic alternative proved successful. The system was successfully tested in fall 2000 and will be further enhanced for the industrial application of the Jet Boring Mining method.

"SRC really shone on this project," Schmitke says. "They were the leaders, but we were always kept well-informed and always had access to their advice and their staff whenever it was needed. It's very much a partnership." ■



At the core of every challenge is a solution. SRC commits its knowledge, expertise and technology to unearthing that solution.



Left: Cigar Lake's Barry Schmitke in the SRC Electronics Lab with the high pressure jet bore that will bring innovation to the uranium mining industry.
Right: By finding new ways to use "off the shelf" technology, SRC and its partners were able to develop a set of remote-controlled eyes that could change the way resources are mined.

SRC recently expanded its caustic fusion capacity by 40% and is able now to process up to 160 kg of kimberlite per day. Derek Gagnon demonstrates the fusion process in the Geoanalytical Laboratory.

"It means that we're able to concentrate on what we do best"

Pamela Strand, CEO, Shear Minerals.

Mining and Mineral Exploration, *continued*

Shear Minerals - Able to focus with the help of SRC

Shear Minerals is an aggressive Canadian junior mining company exploring precious metal and diamond properties in the north and across Canada. The company's focus is on acquiring mineral properties and then working to advance these properties to the feasibility stage.

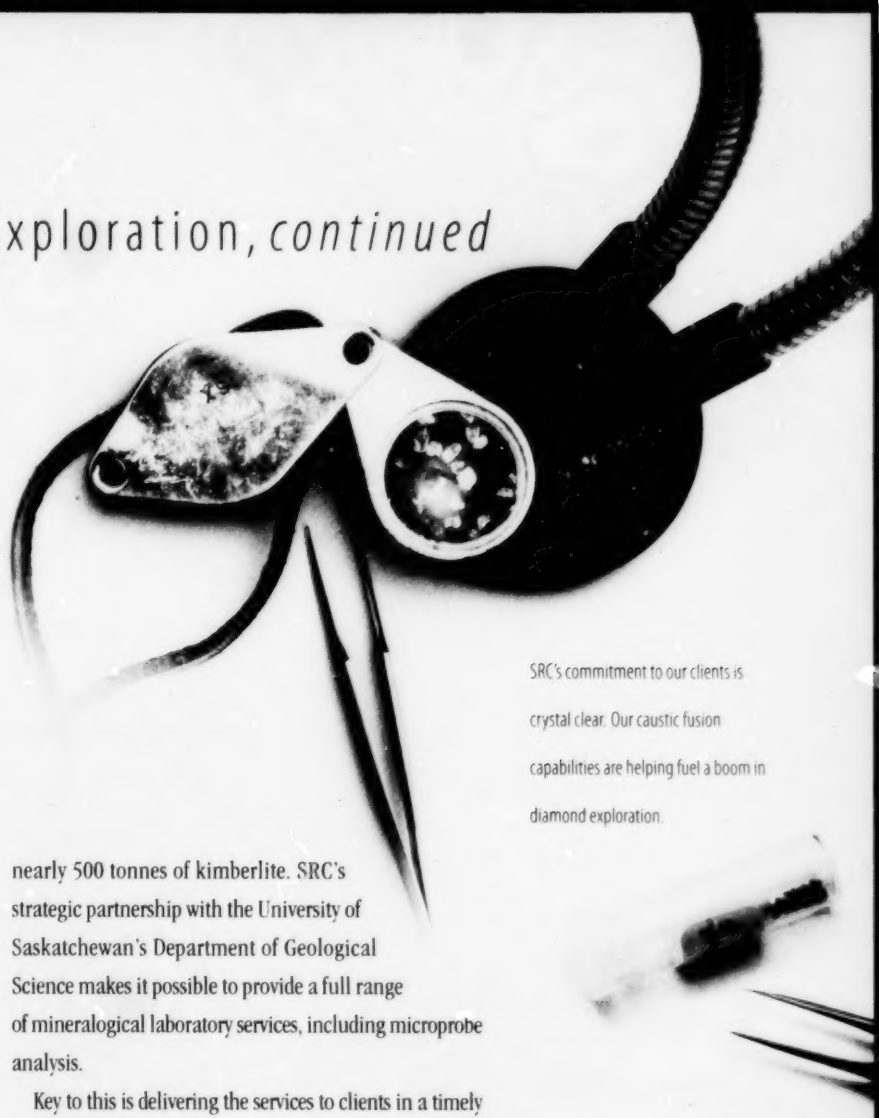
It's an ambitious mission and for a junior mining company, it's important to have the appropriate partnerships in place. That's why Shear works with the diamond specialists at SRC's Geoanalytical Laboratories.

"Our company is focussed on exploring, drilling and getting results so we can make the appropriate decisions to move a project forward," explains Pamela Strand, CEO and President of Shear. "Having access to a world-class facility like SRC's Geoanalytical Labs means that we're able to concentrate on what we do best, knowing that our sampling and analysis will be taken care of."

As with other areas of mineral exploration, the diamond exploration industry relies heavily on drill samples to help establish the potential of a resource. The kimberlite drill cores are then shipped to a lab for analysis. One of the methods used for assessing the number and quality of diamonds in a drill core is called caustic fusion, during which samples are fused in molten caustic soda, which attacks the kimberlite but leaves the diamonds behind to be collected and examined.

SRC's Geoanalytical Lab recently expanded its caustic fusion capacity by 40%, meaning that it can process up to 160kg of kimberlite per day, ranking it among the largest capacity processors in North America.

Along with caustic fusion, SRC Geoanalytical offers a wide range of support services for the diamond exploration and mining industry. In the last decade, it has processed nearly 500 tonnes of kimberlite. SRC's strategic partnership with the University of Saskatchewan's Department of Geological Science makes it possible to provide a full range of mineralogical laboratory services, including microprobe analysis.



SRC's commitment to our clients is crystal clear. Our caustic fusion capabilities are helping fuel a boom in diamond exploration.

Key to this is delivering the services to clients in a timely fashion.

"Mineral exploration companies are focussed on the field and on discovery," Strand says. "For junior companies, having access to the facilities, the professionalism and the credibility of SRC is a very real asset."

Other 2000-2001 Highlights

- two projects were carried out using Synchrotron radiation for evaluating uranium and diamond samples.
- multi-client work was carried out to study paste backfill as a method for improved handling of mine tailings.
- pipe flow testing of nickel laterite slurries continued to be a major area of activity.
- pump testing and pipe flow studies continue for the oilsands industry.

THIS TRUCK
STOPS
UNCONTROLLED
WAY CROSSINGS
"Working with SRC, we can
understand every variable
and consider
Sean Sanders, Senior Research Engineer, Syncrude

Petroleum and Oilsands

The petroleum and oilsands industry is a vital engine for the western Canadian economy. SRC helps keep that engine running by providing the industry with innovative technologies and effective solutions. Our clients work hard to achieve success. So does SRC.

Syncrude - Groundbreaking technology

Syncrude is a company that places a high value on research and development. It puts new knowledge and technology to work every day as it mines Alberta's oilsands for a heavy crude, called bitumen. The nature of its work is, in every sense of the word, groundbreaking. That's why it should come as no surprise that Syncrude is also a client of SRC's Pipe Flow Technology Centre.

"A lot of what we do at Syncrude has never been done before so every time we make an improvement to our process, it's leading edge," explains Sean Sanders, Senior Research Engineer with the company. "For us, it's very important that we have access to the knowledge and facilities that SRC can offer so that we can continue making those improvements."

every option"

In its natural state, oilsands are roughly 85% solids and contain about 11% bitumen. As a result, the ore is hydrotransported with water through a slurry pipeline from the mining area to the extraction facility, a distance of about five kilometres. After the ore is processed through a gravity separation process, it becomes a "froth", with the solids level reduced to roughly 10% and the bitumen content at about 60%. This froth is pipelined to a treatment site where it is upgraded to the finished product, which is known as Syncrude Sweet Blend.

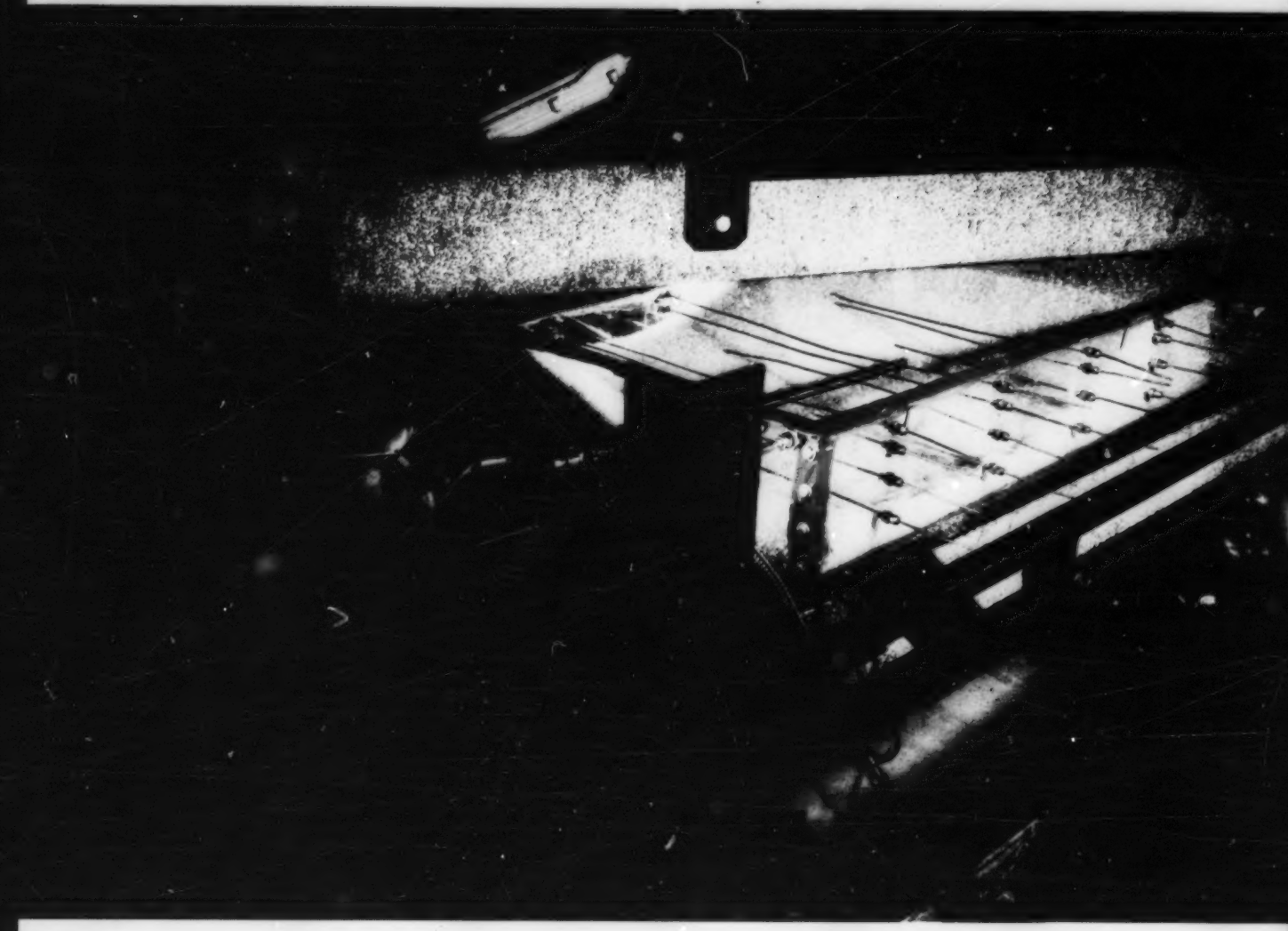
SRC has helped Syncrude at three key steps in this process: oilsand hydrotransport, froth transport and in tailings research. The most recent work involves optimizing the process of transporting froth from Aurora, a new Syncrude mine site opened last summer. Syncrude's processing and upgrading facility is 35 kilometres from the Aurora mine so the search for transport efficiencies is critical.

"To move this quantity of froth over those distances, it's essential that we do it in the most efficient way possible," Sanders says. "Working with SRC, we can understand every variable and consider every option to improve our pipeflow."

The relationship between SRC and Syncrude and its predecessors spans three decades.

"We have a high level of trust in SRC," Sanders says, "and a high degree of confidence in the work they do for us."

For our clients, delivering the product to market is job one. SRC's know-how and facilities have become an essential resource to help the petroleum and oilsands industries develop, recover and transport their product.



Harald Liebe monitors the temperature of an oil recovery scale model at SRC's new Petroleum Branch facilities in Regina.

Deer Creek Energy - Carving out new terrain

"Heavy oil is a survivor business," says Paul Jespersen, President of Deer Creek Energy. "Those who plan properly will survive."

Deer Creek Energy is doing just that: planning to survive by matching its knowledge of the resource with SRC's

knowledge of enhanced oil recovery. Together, SRC and the company are working to find solutions to the unique challenges Deer Creek faces as it develops its Athabasca oilsand reservoir.

"We're looking for the most effective way to move the oil short of actually digging it out," Jespersen says. "Because SRC is oriented to finding practical solutions, they're natural partners for us in finding these solutions."

The oil(bitumen) can't be drained without heat, which adds significant cost to developing a project. With margins in the oilsands/heavy oil industry being thin at the best of times, making the resource recovery process more efficient is absolutely essential. SRC is working with Deer Creek in a number of areas to improve oil recovery, including the development of well architecture specific to the company's needs.

"The question we approached SRC with was, 'How do we take what's been successful elsewhere and apply it to our situation?'" Jespersen explains. "We saw this as an opportunity to get some benefit from their years of experience."

"They're our window on leading edge technologies"

Paul Jesperson, Deer Creek Energy

One of the SRC's real strengths is the physical modelling of oil recovery situations. New ideas, new approaches and new well architectures are tested before being tried in the field. That way, the concept can be validated before incurring significant project expenses.

"Our recent field test which was to a large degree based on SRC's lab work, has provided very encouraging results," Jespersen adds. "They are our window on leading edge technologies."

Other 2000-2001 Highlights

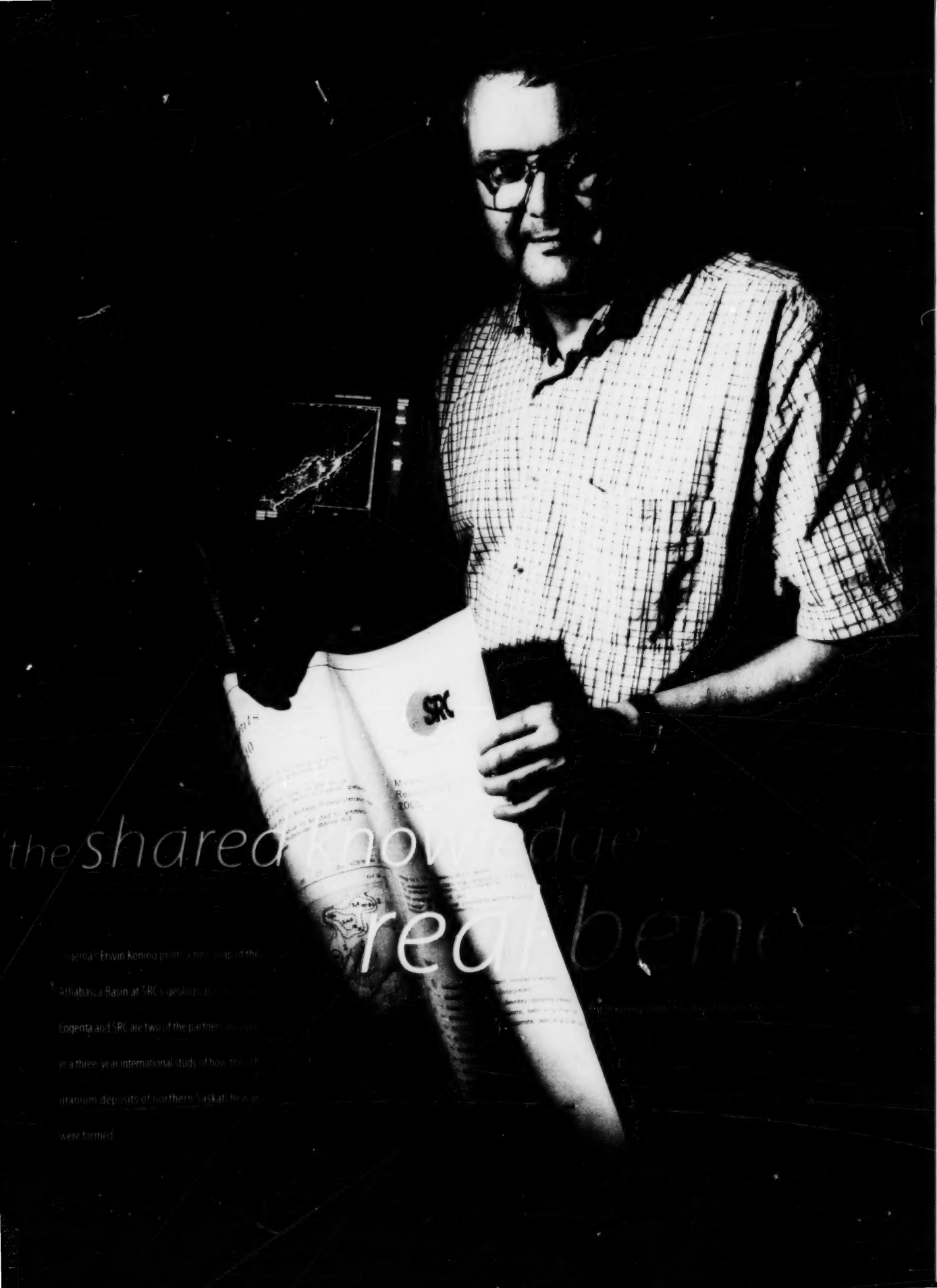
Pipe Flow Technology Centre

- has moved to its new facility, which is three times larger than its previous location.
- worked with the industry to develop improved froth pipelining and pumping technologies.
- worked to develop paste flow technology which is being considered as a method for improved tailings disposal.
- worked on the development of improved slurry flow models for ore hydrotransport and conventional tailings pipelining.
- continued to develop water-assisted pipeline flow technology as a method for heavy crude oil transportation.
- worked on improved sand transportation methods for horizontal well applications.

Petroleum Branch

- applied for a US patent covering a novel horizontal well architecture for use with gravity.
- assisted steam recovery of oil from depleted wells.
- moved into new facilities located within the Research Park on the University of Regina campus.
- developing a Chemical Enhanced Oil Recovery (EOR) program for light, medium and heavy oil recovery.
- conducted several single client reservoir-specific EOR projects.

SRC uses its resources to help clients get the most from theirs. SRC's expertise at enhanced oil recovery modelling helps clients translate success in the lab into success in the oil patch.



the shared knowledge

real benefit

...ogenist Erwin Koning points out the ...
Athabasca Basin at SRC's geolo...
Eorgenta and SRC are two of the partner...
in a three-year international study of how the ...
uranium deposits of northern Saskatchewan ...
were formed.

Saskatchewan and the World

SRC is building Saskatchewan's place in the world. Whether it's using Saskatchewan knowledge and expertise to build partnerships across the globe, or bringing the world to Saskatchewan, SRC is helping this province go global.

The International Partnership - Unlocking the mysteries

Lying beneath the surface of the Athabasca Basin of Saskatchewan is a massive resource of high-grade uranium. It has attracted the interest of the world, not simply to develop it, but to understand how it was formed.

SRC is a member of a team of researchers from around the globe working in the East Athabasca to unlock the mystery of what processes are responsible for the formation of unconformity-type uranium deposits. The project is a collaboration between the Saskatchewan Research Council, the Commonwelth Scientific & Industrial Research Organization (CSIRO-Australia), CREGU (France), Cogema Resources Inc., Cameco Corporation, and Anglo Gold (South Africa).

Launched in 2000, the 3-year study will involve exhaustive fault zone, seismic, and ore-forming geochemical reactions research, as well as model building.

Along with helping the involved partners gain an understanding of how and why this type of uranium deposit was formed, the project will also be used to add information to the existing knowledge about the Athabasca Basin. By developing a greater understanding of the mechanical, heat, fluid flow, and ore-forming histories of the region, the potential for further large uranium deposits will be revealed. Project members will also be working on ways to improve the transfer of information about the various geochemical processes.

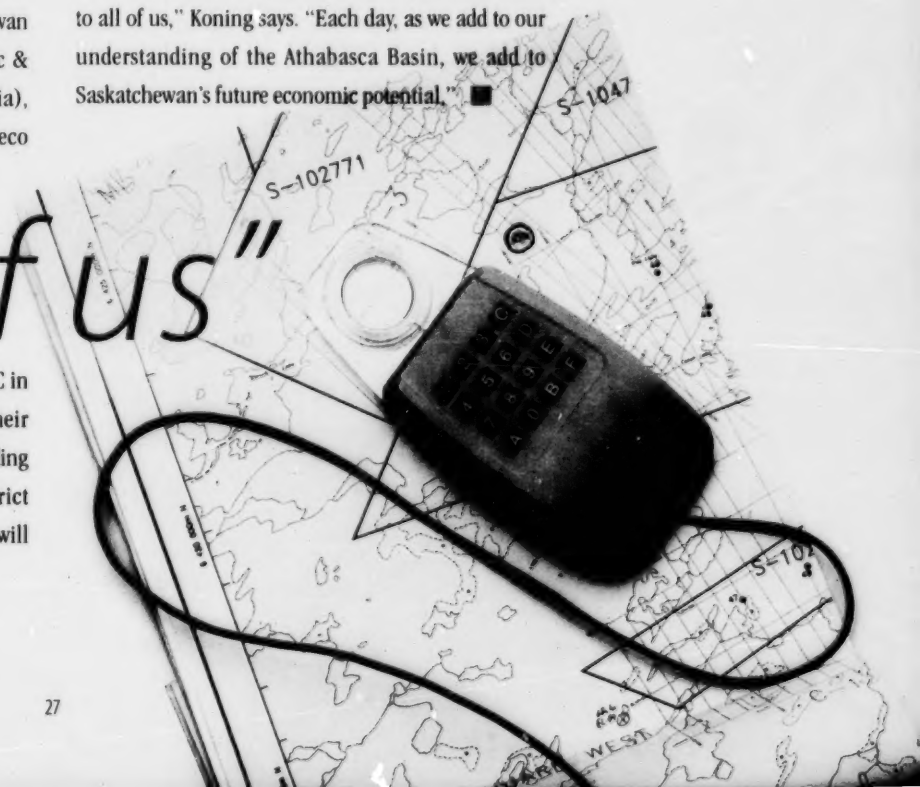
While the project itself is ambitious, so is the idea of bringing together such a diverse international team.

"One of the key benefits to this project is that there is more interaction between research geologists and exploration geologists and the shared knowledge that comes as a result of that interaction will be a real benefit to all of us," Koning says. "Each day, as we add to our understanding of the Athabasca Basin, we add to Saskatchewan's future economic potential." ■

Below: An unequalled knowledge of Saskatchewan - and the technology to collect and interpret new data - makes it possible for SRC to help clients go global.

to all of us"

"Cogema has a long history of working with SRC in the Athabasca Basin, so we were familiar with their expertise in gathering and analyzing data and providing key advice and input," says Erwin Koning, District Geologist for Cogema Resources. "Those attributes will be key to this project."



Saskatchewan and the World, *continued*

Sarawak Technology Park - The similarities a world away

For several years, the state government of Sarawak, Malaysia has been fostering a vision of a leading edge Research & Development park in their state capital of Kuching. In the year 2000, after an extensive search for a consultant to help them put this vision on paper, they contracted SRC's Small Industry Services.

Although Sarawak is a world away from Saskatchewan, the similarities abound. The state is isolated from its country's political and economic centres, has a resource-based economy and is witness to its well-educated young people leaving to find opportunity elsewhere.

One of the first things SRC did was bring together the resources needed to properly study Sarawak's opportunities and make recommendations, including a team from Saskatchewan's private and public sector.

"SRC took a multi-dimensional approach and did a masterful job of managing the process," says Austin Beggs, marketing manager of Saskatoon's Innovation Place and a key member of the team working on the Sarawak Technology Park study.

The government of Sarawak has set aside three large blocks of land for a university, a large clinic and a technology park near Kuching, the state capital. The Saskatchewan team gave them some valuable, and pointed, strategic advice about its potential.

"We advised them that to attract world class, high technology industry they needed to build world class facilities in a way that took advantage of their beautiful natural environment AND seed them with world class expertise," Beggs explains. "The industry that they want the park to encourage needs a core of existing expertise as a nucleus around which they can build and grow. The 'build and they will come' philosophy works if all the pieces - facilities and capabilities - are present."

Aside from providing strategic direction, the SRC-led team offered technical and developmental advice.

Beggs sees significant long-term benefits to Saskatchewan coming as a result of the relationship that has been created, including a number of opportunities for Saskatchewan's information technology businesses and resource companies, some of which are already being pursued.

"There are so many similarities and so many opportunities to come out of this relationship," he says. "We just have to pursue them."

"The industry needs a core of existing expertise as a nucleus"

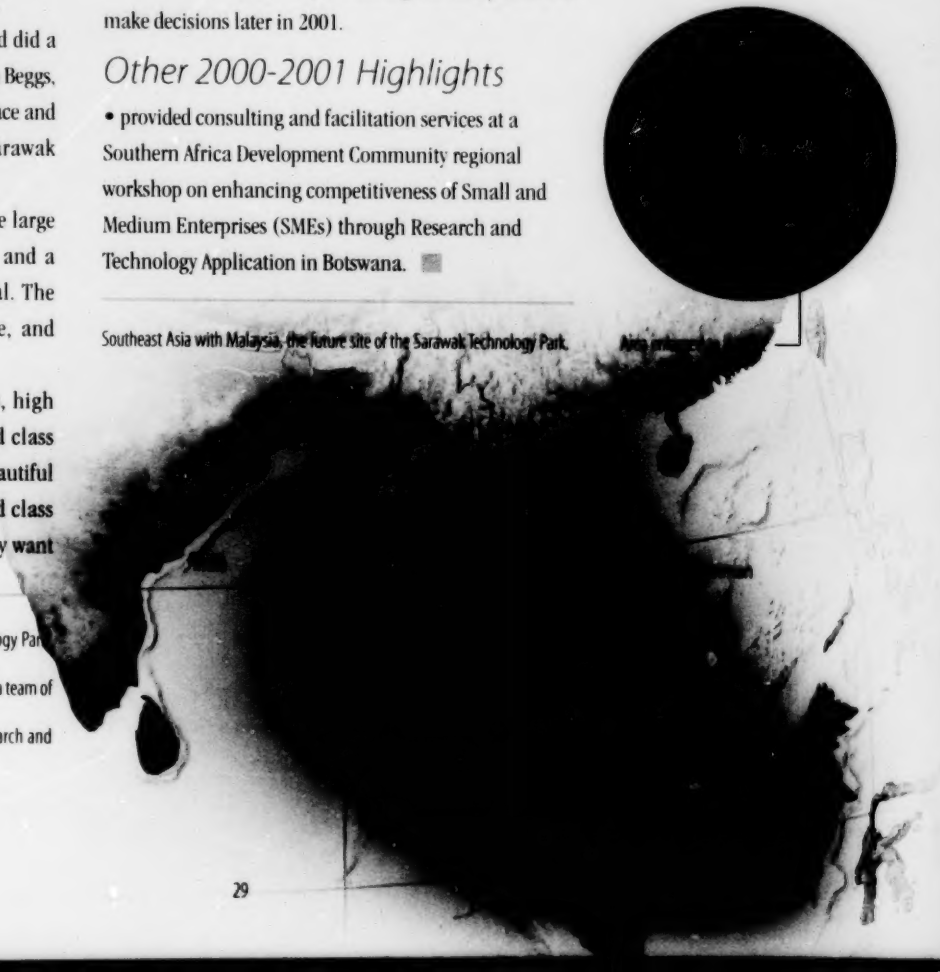
Austin Beggs, marketing manager, Saskatoon's Innovation Place

The state government of Sarawak is currently reviewing the study and will make decisions later in 2001.

Other 2000-2001 Highlights

- provided consulting and facilitation services at a Southern Africa Development Community regional workshop on enhancing competitiveness of Small and Medium Enterprises (SMEs) through Research and Technology Application in Botswana.

Partnerships built a world away are creating opportunities for our international clients and for Saskatchewan.



Southeast Asia with Malaysia, the future site of the Sarawak Technology Park.

Left: SRC's David Grier studies a site plan for the Sarawak Technology Par SRC was hired by the state government of Sarawak, Malaysia to lead a team of Saskatchewan experts to create a strategy for developing a research and development centre of excellence.

"It confirmed my interest
in a career

A Foundation for the Future

Saskatchewan Research Council is focussed on the future. While we're working to turn ideas into opportunities today, we're also committed to encouraging the ideas and idea-makers of tomorrow. Working with businesses, communities and schools, SRC is helping build the role that science plays in Saskatchewan's economy.

Bishop James Mahoney School Partnership - Tomorrow's scientists getting experience today

For students at Bishop James Mahoney School in Saskatoon, SRC is the gateway to future opportunities.

For a number of years, SRC has participated in a school partnership that has provided dozens of the high school's students with a hands-on opportunity to experience the potential that science offers in Saskatchewan. Each year, as many as 12 students from the school work side-by-side with SRC staff, learning about science and the opportunities that exist in this province.

"This program is an incredibly positive experience for our school and the students," says Arnie Elder, a Bishop James Mahoney teacher and the school's coordinator for the partnership. "The young people who participate learn not only about their own potential, but the potential that exists in our province."

Jared Wright and Chris Roy participated in the most recent project, working closely with staff across SRC to develop a document detailing the opportunities in engineering within SRC. The document will be used in information packages and at recruiting fairs for SRC in the future.

For the two young men, the experience at SRC confirmed their desire to pursue careers in science and engineering.

"This experience has left me more interested than ever in a career in science," says Jared, who plans to pursue studies in aerospace engineering when he completes high school. "Seeing how broad the opportunities are and watching people do their jobs has just confirmed my interest in a career in science."

Chris, who is considering a career in either electrical or biochemical engineering, agrees. "This experience has opened my eyes to the opportunities in Saskatchewan," he says.

Below: Knowledge and experience are among the resources SRC shares to lay the foundation for the future in Saskatchewan. Through our mentorship program, students who are sold on science are helping sell science by developing publications that will be used by SRC year round.

A Foundation for the Future, *continued*

SRC promotes science and technology to provincial youth through a variety of means such as open-houses, mentorship programs, and sponsorships. Pictured above: SRC's Larry Kurucz works with grades 5 & 6 youth at an open house hosted by SRC and Innovators in the Schools.

Technology-in-Action - Sharing the vision

The SRC Technology-in-Action program is a living testimonial to how the generous vision of one individual has become the commitment of many.

Launched in 2000, the Technology-in-Action Awards program was made possible by a generous gift from the late Ian Wahn and his family.

Ian Wahn was born and raised in Saskatchewan, and, despite leaving this province more than 50 years ago, he always kept it close to his heart. His wife, Pearl, also came from a family of Saskatchewan pioneers and so the Technology-in-Action Awards were established as a tribute to both families and their shared roots in this province. Others who share this vision and commitment to Saskatchewan have followed the Wahn family lead to contribute to this fund.

The Technology-in-Action Awards program has two streams:

The Technology-in-Action for Tomorrow program will award $10,000 each year to undergraduate post-secondary students who have completed projects that apply science and technology to the benefit of this province.

The Technology-in-Action for Entrepreneurs program will provide $15,000 each year to entrepreneurs or innovators who are applying science and technology to create opportunities in this province.

In both streams, the awards are intended to encourage Saskatchewan-made solutions to Saskatchewan challenges.

Claude Naud is the Vice-President of Programs for Saskatchewan Institute of Applied Science & Technology. He sees both immediate and long-term benefits to the Technology-in-Action Awards program.

"Not only does this program provide incentive for students to find practical applications for their ideas, it motivates them to reach their potential and gain an appreciation of their talents," he says. "The benefits of this will be tangible for many years as they apply those talents to create opportunities and provide solutions right here in Saskatchewan."

Other 2000-2001 Highlights

TecMark

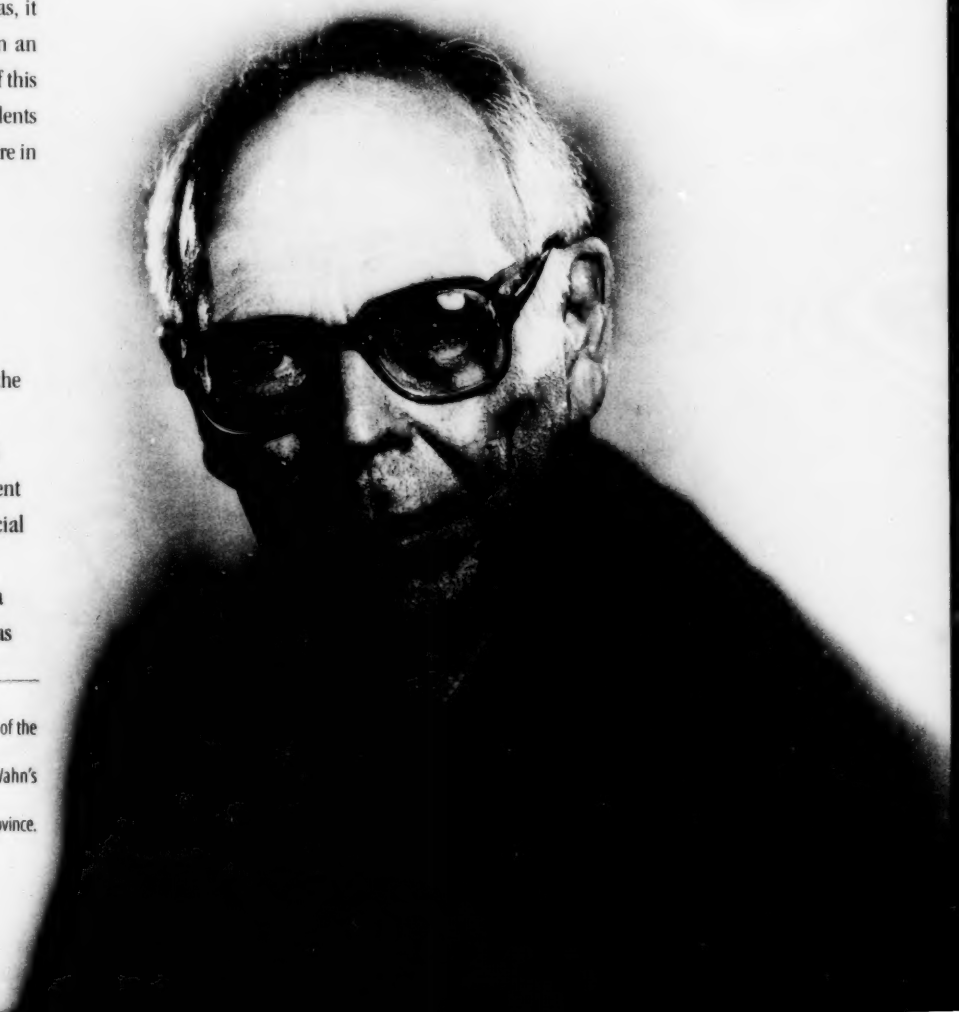
- has assumed responsibility for managing SRC's intellectual property and pursued three patents over the course of the year.
- US patent for "SuperBob", a novel float design and centering device, has been awarded to the Environment Branch. There is interest in the industry for commercial development of this technology.
- was successful in achieving assignment to SRC of a suite of technologies developed within the Natural Gas Vehicle Program and funded by NRC and Gas Technology Canada.
- is negotiating licensing of SRC's e-regulator and the e-controller to commercialize these leading-edge technologies for alternative fuels.

PRECARN

- PRECARN is a national consortium of corporations, research institutes, and government partners with a goal of making Canadian firms more globally competitive through increased development and use of intelligent systems technologies and expertise. PRECARN funds, coordinates and promotes collaborative research conducted by industry, university and government researchers.The Alliance Agreement between SRC and PRECARN is generating considerable interest among Saskatchewan businesses. PRECARN has designated $2M over 5 years to the Alliance program.

"This program provides incentive for students to find practical applications for their ideas"

Claude Naud is the Vice-President of Programs for Saskatchewan Institute of Applied Science & Technology.



Right: The late Ian Wahn, whose generous vision led to the creation of the SRC Technology-in-Action Awards program. This tribute to Mr. Wahn's Saskatchewan roots will encourage practical solutions to grow in this province.

as of March 31, 2001

2000 / 2001 Employee Career Milestones

10 Years

Bart Schnell
Tamra Kostiuk
Kim Wu
Cindy Tamosiunis
Gordon Meyer
Nadine Zerr
Julia Dickinson
Lionel Hebig
Catherine Madore

20 Years

Allan Malinoski
Terri Warkentin
Dennis Zlipko
Dave Quirt
Edna Horn
Ranga Ranganathan
Indra Khosla
Kim Young
Carol Beaulieu
Jennie Ma
Pat Archibald
Verda Evans
Steve Cutts
Pat Moser
Brian Bell
Dave Chorney

25 Years

Muzaffer Fahri
Brian Kristoff

30 Years

Mike Small

35 Years

Orville Olm

Access to SRC's World Class Publications

A complete list of SRC's publications for the 2000 - 2001 fiscal year, in addition to all of SRC's historical publications, can be found on the SRC website at www.src.sk.ca.

President's Office

Acting President/CEO - Dan McFadyen (PEng)
Acting COO - Bryan Schreiner (PhD, PEng, PGeo)
Tamra Kostiuk

Petroleum Branch

Julia Dickinson
Ming Dong (PhD)
Ray Exelby (MechEngTech)
Norman Freitag (PhD, PEng)
Edna Horn
Sam Huang (PhD)
Keith Hutchence (MSc)
Brian Kristoff (BSME, PEng)
Larry Kurucz (ChemTech)
Harald Liebe (MSc, PEng)
Gordon Meyer (Pet/CompTech)
Gay Renouf (BSc)
Bart Schnell (EnvScTech)
Jerry Scoular (BSc, PEng)
Craig Semple
Brenda Tacik (BJourn, BA Hons)
Bela Verkoczy (PhD)
Nadine Zerr

Mineral Exploration Branch

Director - Ranga Ranganathan (PhD, PEng)
Irvine Annesley (PhD, PGeo)
Catherine Madore (MSc, PGeo)
Dave Quirt (MASc, PGeo)
Rupan Shi (MSc, PGeo)

Process Development Branch

Director - Ranga Ranganathan (PhD, PEng)
Eddie Chung (BSc)
John Dyck (PhD, PEng)
Randy Gillies (PhD, PEng)
Sheldon Hill (BSc, PEng)
Frances Huntley (ElecCommTech, MedLabTech)
Cindy Jackson (BSc)
Joe Jones (BA, InstTech)
Curtis Knops (MechEngTech)
Chad Litzenberger (BE Chem)
Bryan Lung
Joe Lychak (MV MR Tech)
Melissa McKibben (PhD, PEng)
Michael Meszaros (ChemTech)
Gerry Perron (BioScTech)
Darren Riley
Paul Schergevitch
Mike Small (ChemTech)
Yimin Song (MSc, BEng)
Doug Soveran (BSc, PEng)
Mike Sulatisky (MSc, PEng)
Ruijun Sun (BE, MSc)

Small Industry Services Branch

Director - David Grier (BE, PEng)
Allan Malinoski (BE, PEng)
Tony Kaminski (PhD, PEng)
Steve Kosteniuk
Orville Olm
Bernie Seymour (CAD/CAMTech)
Lori Sopher (BEd)
Craig Murray (BE, PEng)
Ken Babich (ElecTech)
Lionel Hebig (ElecTech)
Brett Smith
Kim Young (MSc, PEng)
Terry Bradley (BE)
Jennifer Haskey (BE, EIT)
Roger Wong (BE, PEng)
Bernie Zuk (BA, BE, PEng)
Robert Dumont (PhD)
Jerry Makohon (BAC)
Larry Snodgrass (CivEngTech, AScT)
Nick Nicolichuk (CivEngTech)
Ian Radchenko (BA)
Helton Fan (BSc)

Staff List and Milestones

Marie Savostianik (BAC)
Marcia Green (BAC)
Tangy Rowe

Biotechnology Branch

Director - Krystyna Sosulski (PhD, MSc, PAg)
Robert Ashton (BioScTech)
Faouzi Bekkaoui (PhD)
Vanessa Crawford
GuoQiang Dong (PhD, MSc)
Derry Elder (BSc)
Vicki Gerwing (BSc)
Laura Greaves (RegTech)
Kelly Hill (PhD, PEng)
Ursel Hollmann (BAC)
Kevin Lang (BSc)
Ernie Lennox (BioScTech)
Kari McCaffery (BSc)
Bruce Mann (BioScTech)
Evan Pillipow
Yves Plante (PhD)
Laurie Polishchuk (RegTech)
Marian Remenda
Pamela Siggelkow (Biotech Tech)
Richard Sinclair (BioScTech)
Leah Tarasoff (MLT)
Yao Qin Wang (BSc)
Brian Wheeler (BioScTech)

Environment Branch

Director - Bryan Schreiner (PhD, PEng, PGeo)
Carol Beaulieu (BA)
Ray Begrand (BSc)
Leanne Crone
Bob Godwin (BSA Hons)
Marlene Heskin
Charlene Hudym (CPC)
Rolf Jahren (BSc)
Ed Jaworski (RRTech)
Mark Johnston (PhD)
Harm Maathuis (MSc, PEng, PGeo)
Guy Melville (PhD)
Mary Moody (BSc Hons)
Shenay Niyazi
Judy Peters
Bradley Schmid
Stan Shewchuk (PhD)
Mark Simpson (BA, PGeo)
Kasandra Tanner
Jeff Thorpe (PhD)
Keith Wallace (BSc Hons)
Terri Warkentin (ChemTech)
Elaine Wheaton (MSc Hons)
Virginia Wittrock (BScA, MSc)
Dennis Zlipko (AScT)

Commercial Laboratory Services

Director – Michael Weekes (PhD)

Analytical Laboratories

Lab Manager (Saskatoon) - Wo Yuen (PhD)
Nelia Baldoza (BSc)
Monica Bengston (MedLabTech)
Taneal Bryson (ChemTech)
Katherine Chan (BSc,ChemTech)
Jean Chiasson (ChemTech)
David Chorney (ChemTech)
Johanna Chrusch (BSc)
Loran Chrusch (BSc)
Lorna Derry-Mitchell (ChemTech)
Paulette Diakow (BFA,ChemTech)
Gloria Drader (ChemTech)
Tracy Edmison (MedLabTech)
Jodie Evans (ChemTech)
Verda Evans (ChemTech)
Muzaffer Fahri (BSc)
Randy Fedyk (ChemTech)
Betty Folk
Crystal Kalyniuk (ChemTech)
Renata Kennedy (MedLabTech)
Indra Khosla
Jennie Ma (BSc)
Ahmed Mohamed (MSc)
Pat Moser (ChemTech)
Judy Ng
Danna Polanski (RN,MedLabTech)
Gail Shutiak (ChemTech)
Lori Skopyk
Vicky Snook (ChemTech)
Lily Song (BSc)
Brenda Stanek (BSc)
Cindy Tamosiunis (ChemTech)
Vanessa Tastad (ChemTech)
Beverly Ullah (ChemTech)
Kathie Webb (VetTech, PubAdmin Dip)
Taryna Wensley (ChemTech)
Shane Wilkie (ChemTech)
Tracey Wolfe (ChemTech)
Kim Wu (ChemTech)
Jeff Zimmer (BSc)
Lab Manager (Regina) - John Robinson
Sandra Meyers

Geoanalytical Laboratories

Lab Manager - Al Holsten (BSc)
Pat Archibald (BA)
Brian Bell
Regan Buhl
Steve Cutts
Derek Gagnon
Bernard Gartner
Darrell Horychun
Al Jackson
Brynn MacLeod
Penny Maki-Scott (BSc)
Brenda Rees
Mike Richard
Chelsey Schneider
Pat Shuya
Oliver Tham
Teodoro Villenna
Janice Wilms

Financial Services

Chief Financial Officer - Crystal Smudy (BComm, CA)
Robin Dick (BA)
Tom Ketterer (BComm, CA)
Maureen Millhouse
Cathy Peters (BAC)
Vicki Powell

Corporate Performance Branch

Director - Lisa Wallace (BComm, CA)
Lynne Gorgchuck
Linda Kunstmann
Wendy Lawrence (BAdmin, CHRP)
Janelle Tang
Donna Wright

Business Development Branch

Director - Gerry Brown (PhD)
Wanda Brown (BA, BEd)
Kristin Schreiner

Corporate Administrative Services

Director - Ken Owens (PMgr, CFM)
Joe Giesinger
Brent Hannah
Lorne Kunz
Colleen MacLeod (BusAdmDip, Acc/Comp)
Jackie Mamer
Kimberley Mann (BAC)
Terry Mazurkevich
Greg McLean
Tony Perron
Julie Raven (LibTech)
Wally Rielkoff
LaWanda Schneider
Pat Sherwood

Corporate Planning and Development

Director - Ernie Pappas (BSME, PEng)

Saskatchewan Research Council

Consolidated Financial Statements

For the year ended March 31, 2001

Financial Report

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Report of Management

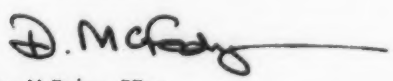
Year ended March 31, 2001

The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate.

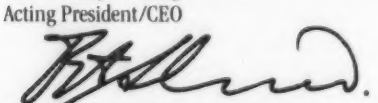
Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies, and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board meets periodically with management to satisfy itself that management's responsibilities are properly discharged, and to review and approve the financial statements.

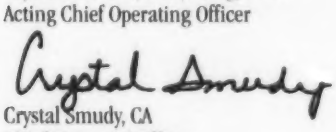
The Acting Provincial Auditor of Saskatchewan has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and his report follows.



Dan McFadyen, PEng
Acting President/CEO



Bryan Schreiner, PhD, PEng, PGeo
Acting Chief Operating Officer



Crystal Smudy, CA
Chief Financial Officer

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan.

I have audited the consolidated balance sheet of the Saskatchewan Research Council as at March 31, 2001 and the consolidated statements of operations and retained earnings and cashflows for the year then ended. The Council's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements, present fairly, in all material respects, the financial position of the Council as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 18, 2001

Fred Wendel, CMA, CA
Acting Provincial Auditor

Saskatchewan Research Council

Consolidated Balance Sheet

As At March 31

Statement 1

	2001	2000
Assets		
Current assets:		
Accounts receivable	$ 2,984,926	$ 2,508,023
Prepaid expenses	233,763	415,883
	3,218,689	2,923,906
Non-current assets:		
Accrued benefit asset (Note 3)	365,412	766,000
Restricted investments (Note 4)	527,464	537,286
Capital assets (Note 5)	7,453,478	6,927,493
	$11,565,043	$11,154,685
Liabilities and Province's Equity		
Current liabilities:		
Bank indebtedness (Note 6)	$ 1,097,820	$ 1,218,198
Accounts payable	1,151,652	811,088
Advances payable	54,871	43,344
Unearned revenue	1,174,746	1,003,044
Deferred revenue (Note 7)	399,483	390,203
Salaries and wages payable	343,993	416,066
Vacation payable	137,995	102,175
	4,360,560	3,984,118
Non-current liabilities:		
Sick leave benefits payable	376,111	424,684
Accrual for decommissioning (Note 8)	967,000	800,000
Deferred revenue (Note 7)	2,453,371	2,795,429
	8,157,042	8,004,231
Province's equity:		
Retained earnings – unappropriated (Statement 2)	2,880,537	2,613,168
Retained earnings – appropriated (Note 4)	527,464	537,286
	3,408,001	3,150,454
	$11,565,043	$11,154,685

(See accompanying notes to the financial statements)

Saskatchewan Research Council

Consolidated Statement of Operations and Retained Earnings

Year Ended March 31

Statement 2

	2001 (Note 12)	2000 (Note 12)
Revenue:		
Contracts	$12,133,544	$10,679,447
Grant – General Revenue Fund	9,172,056	7,947,000
Grant – Agri-Food Innovation Fund (Note 7)	399,483	389,504
Bank interest revenue	106,907	150,459
	21,811,990	19,166,410
Expenses:		
Salaries and benefits	9,770,655	10,047,840
Supplies and services	5,928,478	4,214,409
Accommodation charges	3,889,973	3,078,929
Amortization of capital assets	1,155,284	907,145
Amortization of Agri-Food Innovation Fund funded assets (Note 7)	399,483	389,504
Bank interest	9,982	11,077
	21,153,855	18,648,904
Net income from operations	658,135	517,506
Technology in Action Fund donations (Note 4)	-	352,415
Defined benefit pension plan (expense) income (Note 3)	(400,588)	122,576
Net income	257,547	992,497
Retained earnings – unappropriated, beginning of year	2,613,168	1,989,391
Change in appropriated amount during year (Note 4)	9,822	(368,720)
Retained earnings – unappropriated, end of year – to Statement 1	$ 2,880,537	$ 2,613,168

(See accompanying notes to the financial statements)

Consolidated Statement of Cashflows

Year Ended March 31

Statement 3

	2001	2000
Cash flows from operating activities:		
Cash receipts from contracts	$11,849,926	$11,101,501
Cash receipts from General Revenue Fund (GRF)	9,172,000	8,012,000
Cash receipts from donations	-	352,415
Cash paid to suppliers and employees	(18,984,248)	(17,410,627)
Interest received	106,729	119,154
Interest paid	(9,982)	(11,077)
Cash flows from operating activities	2,134,425	2,163,366
Cash flows from investing:		
Purchase of investments	-	(350,000)
Purchase of capital assets	(2,016,047)	(2,564,051)
Proceeds from sale of capital assets	2,000	46,698
Cash flows used in investment activities	(2,014,047)	(2,867,353)
Cash flows from financing activities:		
Cash receipts from Agri-Food Innovation Fund	-	726,020
Cash flows from financing activities	-	**726,020**
Net increase in cash and cash equivalents	120,378	22,033
Cash and cash equivalents, beginning of year	(1,218,198)	(1,240,231)
Cash and cash equivalents, end of year	$(1,097,820)	$(1,218,198)
Represented by:		
Bank indebtedness	$(1,097,820)	$(1,218,198)

(See accompanying notes to the financial statements)

Notes to the Consolidated Financial Statements
March 31, 2001

1. Status of Saskatchewan Research Council

Saskatchewan Research Council ("the Council") was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a body corporate which receives monies appropriated by the Legislature for these purposes. It is also empowered to conduct research under contract for others and to receive financial assistance pursuant to agreements with other similar agencies.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting principles are considered to be significant:

a) Consolidation Principles and Basis of Presentation

The accounts of TecMark International Commercialization Inc., a wholly owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements.

The Council's proportionate share of the assets, liabilities, revenues, expenses and cash flows of a joint venture with Bova-Can Parentage Testing Inc. are included in these financial statements.

b) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

c) Revenue Recognition

Revenue from the majority of contract work is recognized on the percentage-of-completion method, which recognizes revenue as a contract progresses. Unbilled revenues are accrued to the year-end for these contracts, while pre-billed revenues received are classified as unearned revenue.

Other contributions that are restricted for a specified use are deferred and are recognized as revenue when the related expenses are incurred.

Agri-Food Innovation Fund revenue is recognized at the same rate as the assets are put in use and amortized.

d) Capital Assets

The assets of the Council are initially recorded at cost, including labour, material and overhead for self-constructed assets.

Amortization of capital assets is provided over the estimated useful lives of the assets on the following basis:

i) Sum-of-the-years'-digits method

Buildings	20 years
Equipment	5-10 years

ii) Declining balance method

Automotive	33 1/3%

iii) Straight-line

Goodwill	5 years
Leaseholds	9 years
Fermentation and GenServe Equipment	10 years

e) Accrued Vacation Credits

The costs associated with vacation credits are recognized when the vacation entitlements are earned. The value of credits earned to the year-end but not taken is reflected as a liability.

f) Sick Leave Benefits

The Council allowed unused sick leave credits to accumulate over the term of employment for each employee to March 31, 1998. The costs associated with these sick leave benefits are recognized when benefits are earned and accumulated by employees at a rate of 10% of the unused accumulated value of credits earned.

The practice of accumulating sick leave credits for 10% payout ceased effective April 1, 1998. Upon termination of employment the Council pays out 10% of the accumulated unused sick leave credits to March 31, 1998, based on the wage rate in effect at March 31, 1998.

g) Accrual for Decommissioning

The Council accrues the liability for future decommissioning and site restoration costs when the likelihood of incidence is established and such costs can be reasonably determined. Annual provisions for estimated future asset decommissioning and site restoration costs, less any residual or salvage value, are charged to Supplies and Services expense over the remaining service lives of the related capital assets. These cost estimates are revised periodically in accordance with changes in the assumptions and estimates underlying the calculations, with changes in technology, with experience arising from the decommissioning of capital assets, and with changes in applicable legislation and regulations.

h) Restricted Investments

The investments are comprised of deposits in a balanced mutual fund, managed by a professional investment manager. The balanced mutual fund has no fixed interest rate, and the return is based on the performance of the fund. Additional units in the mutual fund are acquired when distributions are made by the fund. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units.

Units in the mutual fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at the year-end is included in bank interest revenue.

3. Pension Plan

The Council maintains a Pension Plan for its employees. Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the Plan was changed to a defined contribution plan. The changes do not affect existing pensioners who will continue to receive benefits as granted. The latest actuarial valuation was updated as at January 1, 2001. The Pension Plan has been valued using the administrator's best estimates. The financial position of the Plan is as follows:

	2001	2000
Plan net assets at market value	23,223,356	23,998,220
Accrued Plan benefits:		
Defined contribution	19,730,717	19,928,220
Defined benefit	3,127,227	3,304,000
Accrued benefit asset	$ 365,412	$ 766,000

During 2001, the Council prospectively changed the accounting policy for the pension plan to be consistent with updated CICA requirements. Under the new requirements, the Plan assets and liabilities have been extrapolated from their last actuarial valuation to the Council's year-end.

Upon termination of the Plan, any Accrued benefit asset of the Pension Fund remaining, after discharging all liabilities, shall belong to the Council. The Accrued benefit asset may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act*, 1992, the Income Tax Act (Canada) and the regulations thereunder.

The Defined benefit pension plan expense of $400,588 (2000 - income of $122,576) is the year over year change in the Accrued benefit asset. The Defined contribution pension plan expense (employer contributions) for the year was $ 475,770 (2000 - $104,959 - net of contribution holiday of $374,576). The benefits paid from the Defined benefit pension plan during the year (including retroactive payment for amendment of pensioner benefits of $92,364) was $435,434 (2000 - $311,470).

4. Restricted Investments

Restricted investments represents the Technology in Action Fund ("Fund"), which was established by the Council in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services. The Council received a binding ruling from CCRA that accepts this as a "Gift to the Crown". The Council will maintain a separate account of the capital contributions and all investment income earned. The amount contributed cumulatively to March 31, 2001, is as follows:

	2001	Change	2000
Capital Contributions	$ 503,778	-	$ 503,778
Investment earnings	88,686	178	88,508
Technology grants	(65,000)	(10,000)	(55,000)
Total	$ 527,464	$ (9,822)	$ 537,286

5. Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 739,323	$ 725,923	$ 13,400	$ 32,403
Leaseholds	3,221,438	1,442,751	1,778,687	449,755
Equipment	15,281,454	12,490,760	2,790,694	3,247,905
Automotive	174,828	174,828	-	-
Goodwill	35,413	28,330	7,083	14,165
Fermentation Facility	3,370,145	967,378	2,402,767	2,666,186
GenServe Equipment	562,309	112,462	449,847	506,079
Land	11,000	-	11,000	11,000
	$23,395,910	$15,942,432	$ 7,453,478	$ 6,927,493

Included in the cost and net book value of equipment, is $178,416 (2000 - $748,568) of assets that were not amortized because they were not ready for use.

6. Bank Indebtedness

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed $5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at the Bank of Montreal prime rate.

7. Deferred Revenue – GenServe Equipment and Fermentation Facility

The Council receives contributions for certain capital assets, which it records as deferred revenue until such time as the assets are put in use and amortized. During the year the Council recorded $399,483 (GenServe $56,231 and Fermentation $343,252; 2000 - $56,231 and $333,273) as revenue based on the amortization of the related capital assets.

The current portion of deferred revenue, is comprised of the following amounts:

	2001	2000
Following year's amortization of Fermentation Facility asset	$343,252	$333,273
Agri-Food Innovation Fund revenue representing expenditures for the following fiscal year	-	699
Following year's amortization of GenServe assets	56,231	56,231
	$399,483	$390,203

The long-term portion of deferred revenue, $2,453,371 (GenServe $393,617 and Fermentation $2,059,754; 2000 - $449,848 and $2,345,581), represents Agri-Food Innovation Fund monies used to purchase capital assets that will be recognized as revenue at the same rate that the assets are amortized.

8. Accrual for Decommissioning

The Canadian Nuclear Safety Commission (CNSC) licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

The Council estimates decommissioning costs will be in the range of $800,000 to $1,400,000.

In the Council's best estimate, the revised costs of decommissioning will be close to the high end of the range. As a result, as at March 31, 2001, $967,000 (2000 - $800,000) was accrued for decommissioning costs.

9. TecMark Inc.

TecMark International Commercialization Inc. ("TecMark") was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996, as a wholly owned subsidiary of the Council. The purpose of the Corporation is to assist in the commercialization of technology for inventors, entrepreneurs and partner institutions in the Province of Saskatchewan.

Supplies and Services includes $38,541 (2000 - $55,095) in connection with projects undertaken by TecMark. All of these projects are funded by SRC.

10. Joint Venture

Effective February 1, 1997, the Council entered into a 50 percent ownership joint venture with Bova-Can Parentage Testing Inc. The five-year arrangement will be renewed prior to the expiration of the current agreement and will subsequently automatically renew in yearly increments, providing Bova-Can Laboratories with access to all animal lists and history, and the genotyping market. Upon termination of this agreement, the complete database of genotypes, the DNA bank and 50% of the net assets will transfer to Bova-Can Parentage Testing Inc.

The effect of the transaction results in the Council retaining the following assets, liabilities, revenues, expenses and cash flows (which are included in the consolidated financial statements) related to the Council's portion of the joint venture:

	2001	2000
Current Assets	$106,561	$101,756
Long-term Assets	79,838	112,232
Current Liabilities	23,918	29,620
Long-term Liabilities	5,609	8,251
Revenue	496,125	577,932
Expenses	515,371	570,814
Net Income	(19,246)	7,118
Cashflows resulting from operating activities	28,647	59,717
Cashflows resulting from investing activities	(17,120)	(4,359)

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Council by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for the following:

During the year, the Council paid $3.4 million (2000 - $2.9 million) to the Saskatchewan Property Management Corporation (SPMC) and Saskatchewan Opportunities Corporation (SOCO) for accommodation charges on buildings. At year-end, SRC has lease commitments with SOCO requiring minimum lease payments of:

2002	$2.9M
2003	1.0M
2004	1.0M
2005	1.0M
2006	0.2M

During the year, the Council entered into fee-for-service contracts for $1.1 million (2000 - $1.5 million) with related parties, of which $0.2 million remains in accounts receivable as at March 31, 2001. The Council has $2.8 million (2000 - $3.2 million) of deferred revenue from related parties as at March 31, 2001. Of the $2.3 million, $2.4 million

(2000 - $2.7 million) is related to the Fermentation Facility's funding from Agri-Food Innovation Fund and $0.4 million (2000 - $0.5 million) is related to the GenServe funding from Agri-Food Innovation Fund.

During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

12. Comparison of Planned and Actual Results

A comparison of actual to budgeted results for each line item on the income statement follows:

	Actual 2001	Budget 2001	Actual 2000	Budget 2000
Revenue:				
Contracts	$12,133,544	$12,369,000	$10,679,447	$12,671,000
Grant – General Revenue Fund	9,172,056	8,742,000	7,947,000	7,947,000
Grants – AFIF	399,483	433,000	389,504	395,000
Bank interest revenue	106,907	50,000	150,459	50,000
	21,811,990	21,594,000	19,166,410	21,063,000
Expenses:				
Salaries and benefits	9,770,655	10,107,000	10,047,840	10,000,000
Supplies and services	5,928,478	5,947,000	4,214,409	6,241,000
Accommodation charges	3,889,973	4,113,000	3,078,929	3,250,00
Amortization of capital assets	1,155,284	945,000	907,145	1,122,000
Amortization of AFIF funded assets	399,483	433,000	389,504	395,000
Bank interest	9,982	50,000	11,077	54,000
	21,153,855	21,595,000	18,648,904	21,062,000
Net Income from operations	658,135	(1,000)	517,506	1,000
Technology in Action Fund Donations	-	-	352,415	-
Defined benefit pension plan (expense) income	(400,588)	-	122,576	-
Net Income	$ 257,547	$ (1,000)	$ 992,497	$ 1,000

13. Expenses by Program

Program	Actual 2001	Budget 2001	Actual 2000	Budget 2000
Research & Technology	$15,543,557	$15,654,707	$13,554,236	$15,043,903
Laboratory Services	5,610,298	5,940,293	5,094,668	6,018,097
Total	$21,153,855	$21,595,000	$18,648,904	$21,062,000

Administrative services have been allocated to each program based on a percentage of labour. Space costs have been allocated to each program based on an estimate of square footage occupied.

14. Financial Instruments

The Council's significant financial instruments consist of accounts receivable, accounts payable and the bank indebtedness (line of credit).

Credit Risk:

The Council is exposed to credit risk from the potential default of customers. However, the majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients. Therefore the credit risk is minimal.

Fair Values:

The fair values of the accounts receivable, accounts payable and bank indebtedness approximate their carrying value due to the short-term nature of these instruments.

15. Subsequent Event

Subsequent to year-end, the Council sold a building, with a carrying value of zero, to the University of Saskatchewan, a related party, for $1.0 million. Under the agreement between the related parties, SRC is responsible for site decommissioning costs, estimated to be $100,000.

16. Comparative Figures

Certain of the 2000 financial statement balances have been reclassified to conform with presentation of the 2001 figures.

Saskatchewan Research Council

2000-2001 Annual Report

Supplementary Information

(unaudited)

Details of Revenue and Expense

Saskatchewan Research Council (Vote 35)
(Subvote SR01)

Mission Statement
The Saskatchewan Research Council's (SRC) mission is to help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment. We do it through research, development, and the transfer of innovative scientific and technological solutions, applications and services.

SRC creates wealth through the responsible application of science and technology to assist Saskatchewan industry to be globally competitive.

Transfers
All expenses paid from this vote were transfers to the Saskatchewan Research Council.

Saskatchewan Research Council (Subvote SR01)		$ 9,172,056

This program provides funding for the Saskatchewan Research Council:

Revenue:		
Contracts	12,133,544	
Grants - General Revenue Fund	9,172,056	
Grants - Agri-Food Innovation Fund	399,483	
Bank interest revenue	106,907	$ 21,811,990
Expense:		
Personal services	8,904,922	
Travel	692,653	
Transfers	0	
Supplier payments	6,111,537	
Purchase of capital assets	2,016,047	
Difference between purchases and amortization of capital assets	(461,277)	
Accommodation charges - SPMC/SOCO	3,889,973	$ 21,153,855
Net Income from operations		658,135
Defined benefit pension plan expense		(400,588)
Net income		$ 257,547

Details of expenses

Personal Services

Unaudited list of individuals who received payments for salaries, wages, honorariums, and severances, etc. which total $2,500 or more. All of the severance costs paid to individuals are included below.

Anderson, Deanna	$ 8,497	Folk, Betty	18,985
Anderson, Jon	3,505	Freitag, Norman	71,443
Annesley, Irvine	61,389	Fusick, Jeanette	23,980
Archibald, Patricia Ann	33,463	Gagnon, Derek	18,991
Ashton, Robert	32,666	Gartner, Bernard	47,690
Babich, Kenneth	40,351	Gerwing, Victoria	41,830
Baldoza, Nelia	17,383	Giesinger, Joseph	37,635
Beaulieu, Carol	36,084	Gillies, Randall	79,481
Begrand, Raymond	46,001	Gipman, Keith	13,494
Bekkaoui, Faouzi	62,854	Godwin, Robert	45,410
Bell, Brian	30,505	Gorgchuck, Lynne	37,741
Bengtson, Monica	23,007	Greaves, Laura	28,619
Beres, Beau	11,451	Green, Marcia	24,349
Bouvier, Rodney	9,355	Grier, David	81,663
Bradley, Terrence	21,418	Gutek, Morgan	8,483
Brown, Gerald	82,008	Hamoline, Miriam	6,332
Brown, Wanda	44,838	Hannah, Brent	28,182
Buhl, Regan	25,109	Haskey, Jennifer	39,483
Campbell, Janet	50,894	Haukeness, Chandra	6,193
Chan, Katherine	25,848	Hebig, Lionel	34,045
Chiasson, Jean	9,569	Heskin, Lisa	2,722
Chorney, David	50,277	Heskin, Marlene	12,988
Chrusch, Loran	53,075	Hildebrandt, Kendra	5,633
Chung, Eddie	70,533	Hill, Amy	6,925
Colbert, Lisa	45,516	Hill, Kelly	58,126
Collins, Janinne	29,186	Hill, Sheldon	59,915
Crawford, Vanessa	24,685	Hoffart, Jodie	6,961
Crone, Leanne	22,557	Hollmann, Ursel	40,357
Cutts, Steven	32,415	Holst, Douglas	12,294
Debruin, Doug	5,078	Holsten, Allan	67,267
Derry, Lorna	24,276	Horn, Edna	32,757
Diakow, Paulette	24,179	Horychun, Darrell	16,707
Dick, Robin	55,828	Hosseinian, Farah	5,663
Dickinson, Julia	28,228	Huang, Shen-Shong	81,413
Doell, Vanessa	24,310	Hudym, Charlene	30,440
Dong, Guoqiang	54,405	Huntley, Frances	32,821
Dong, Ming	58,069	Hutchence, Keith	65,801
Drader, Gloria	35,231	Hutchinson, James	294,662
Dumont, Robert	76,041	Jackson, Allan	44,416
Dyck, John	42,668	Jackson, Cindy	43,060
Edmison, Tracy	33,923	Jahren, Rolf	53,130
Elder, Derry	29,338	Jaworski, Edward	45,664
Evans, Jodie	7,312	Johnston, Mark	13,578
Evans, Verda	39,959	Jones, Joseph	49,033
Exelby, Donald	48,369	Kalyniuk, Crystal	23,979
Fafard, Brittany	2,777	Kaminski, Tony	61,114
Fahri, Muzaffer	49,136	Kennedy, Renata	8,508
Falk, Sarah	17,026	Ketterer, Thomas	42,066
Fan, Helton	21,691	Khosla, Indra	27,037
Fedyk, Randy	26,511	Knops, Curtis	30,226

Personal Services - Continued

Kosteniuk, Steve	29,075	Pendrigh, Nicole	4,592
Kostiuk, Tamra	28,088	Perron, Gerard	47,619
Kraay, Gerrit	46,040	Peters, Cathy	28,093
Kristoff, Brian	77,853	Peters, Judy	16,707
Kudel, Justin	5,256	Piche, Tina	9,687
Kulyk, Jason	2,837	Pillipow, Evan	13,744
Kunstmann, Linda	31,493	Plante, Yves	66,967
Kunz, Lorne	2,765	Polanski, Danna	25,031
Kurucz, Larry	49,186	Polishchuk, Laurie	32,115
Lang, Kevin	41,822	Powell, Vicki	30,265
Lawrence, Wendy	57,743	Quirt, David	55,069
Lennox, Ernest	36,512	Radchenko, Ian	36,366
Liebe, Harold	55,143	Ranganathan, Ranga	85,332
Lindgren, Brenden	4,488	Raven, Julie	27,307
Litzenberger, Chad	13,937	Rees, Brenda	8,998
Longmuir, Karman	8,178	Remenda, Marian	19,390
Lung, Bryan	30,596	Renouf, Gay	31,495
Lychak, Joseph	47,682	Richard, Mike	21,186
Ma, Jennie	31,754	Rielkoff, Wallace	38,655
Maathuis, Harm	78,552	Riley, Darren	33,064
MacLeod, Brynn	11,913	Robinson, John	57,734
MacLeod, Colleen	36,741	Rowe, Tangy	25,491
MacPherson, Bob	52,960	Sanfilippo, Tatiana	2,848
MacTavish, Peggy	25,890	Savostianik, Marie	48,251
Madore, Catherine	45,327	Schaan, Jason	20,456
Maki-Scott, Penny	31,124	Schergevitch, Paul	48,784
Makohon, Jerry	56,994	Schinborn, Joe	10,141
Malinoski, Allan	19,013	Schmid, Bradley	11,783
Malko, Pam	7,091	Schneider, Chelsey	4,235
Mamer, Jackie	26,054	Schneider, Lawanda	27,536
Mann, Bruce	36,339	Schnell, Bart	39,849
Mann, Kimberley	29,590	Schreiner, Bryan	85,439
Mazurkevich, Terrance	24,585	Schreiner, Kristin	4,600
McKibben, Melissa	46,201	Scoular, Jerry	67,993
McLean, Greg	37,167	Semple, Craig	25,032
Melville, Guy	64,259	Seymour, Bernard	44,715
Meszaros, Michael	6,626	Sher, John	30,266
Meyer, Gordon	36,896	Sherwood, Pat	41,223
Meyers, Sandra	26,857	Shewchuk, Stanley	79,890
Millhouse, Maureen	38,052	Shi, Rupan	41,235
Mohamed, Mohamud	24,893	Shutiak, Gail	18,502
Moody, Mary	45,006	Shuya, Patricia	17,792
Moser, Pat	40,209	Siggelkow, Pamela	16,929
Murray, Craig	71,922	Simpson, Mark	56,578
Neufeld, Leona	3,159	Sinclair, Richard	20,212
Ng, Judy	25,761	Small, Michael	58,288
Nicolichuk, Nicholas	49,017	Smith, Adam	12,673
Niyazi, Shenay	19,797	Smith, Brett	44,097
Noseworthy, Steven	43,725	Smithson, Gene	10,728
Ollenberger, Candace	2,836	Smudy, Crystal	78,705
Olm, Orville	55,588	Snodgrass, Lawrence	49,505
Olson, Randy	8,955	Snook, Vicky	35,292
Owens, Kenneth	78,954	Song, Yimin	13,937
Pappas, Ernie	66,936	Sopher, Lori	23,540

Personal Services - Continued

Sosulski, Krystyna	82,954
Soveran, Douglas	79,533
Stanek, Brenda	63,037
Strawson, Jennifer	6,093
Strohan, Kenneth	3,662
Sulatisky, Michael	81,128
Sun, Ruijun	46,955
Tacik, Brenda	33,112
Tamosiunis, Cindy	22,864
Tang, Janelle	9,767
Tanner, Kasandra	10,672
Tarasoff, Leah	10,516
Telfer, Pamela	6,732
Thorpe, Jeffrey	67,082
Ullah, Beverly	32,693
Verkoczy, Bela	69,255
Villena, Teodoro	19,642
Wallace, Keith	67,896
Wallace, Lisa	51,672
Wang, Yao	28,349
Warkentin, Terri	43,351
Webb, Kathie	26,907
Weekes, Michael	42,504
Wehage, Tanya	2,892
Wensley, Taryna	13,295
Wheaton, Elaine	67,180
Wheeler, Brian	31,766
Wilkie, Shane	23,549
Wilms, Janice	13,107
Wittrock, Virginia	44,644
Wolfe, Tracey	24,005
Wong, Roger	73,609
Wright, Donna	31,905
Wu, Kim	28,507
Young, Kim	66,176
Yuen, Wo	71,788
Zerr, Nadine	24,939
Zimmer, Jeffrey	46,806
Zlipko, Dennis	45,546
Zuk, Bernard	67,954
Salaries payable	120,000
Bova-Can 50% elimination	(193,822)
Under $2,500	35,517
	$ 8,904,922

Travel

Minister's Travel	$ -
Other (unaudited)	692,653
	$ 692,653

Transfers

Unaudited list of transfers to external parties, excluding administrative expenditures which are included under personal services, travel and supplier payments.

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Supplier Payments

Unaudited list of payees who received $20,000 or more for the provision of goods and services, including office supplies and contracts.

Advanced Datasystems	$	279,374
Air Liquide Canada		99,969
Anachemia Science		39,308
Bob Wehage Hauling		24,540
Boffins Cafe		20,149
Cansys Incorporated		21,532
Charonic Canada		55,077
City Of Saskatoon		29,366
Cleartech		104,562
CMG (Computer Modelling Group)		40,000
Commonwealth Scientific and Industrial Research		170,000
Danka		25,305
Davis Machine Co.		79,454
Deloitte & Touche		41,018
Digi-Key Corporation		22,432
Dycor Technologies		30,458
Ebsco Canada		22,935
Fisher Scientific Co.		47,023
Geransky Brothers		22,096
Grand and Toy		23,436
Hamilton Myriadgate		21,217
Hoskin Scientific		64,219
Hutchtech Inc.		30,862
Idexx Laboratories Canada		25,967
Industrial Insulation Services		24,385
Innovators in the Schools		25,000
Jays Moving and Storage		29,323
Marsh Canada		55,503
Now Design		23,254
Nutana Machine		24,321
Powertech Labs		246,658
Precarn Associates		25,000
Radarsat International		20,825
Receiver General for Canada		63,760
Reliance Industrial Service		24,265
Saskatchewan Blue Cross		231,132
Saskatchewan Energy and Mines		36,843
Saskatchewan Minister of Finance		63,249
Saskatchewan Property Management Corporation		141,804
Saskatchewan Workers' Compensation Board		74,404
SaskEnergy		37,254
SaskPower		35,622
SaskTel CMR		288,555
Sigma Aldrich Canada		30,011
Spectrum Computer Services		21,065
Supreme Office Products		28,086
Trigon Mapping Resources		78,038
University of Saskatchewan		179,128
Venables Machine Works		37,970
VWR / Canlab		61,814
Winnan		23,600
Under $20,000		2,840,371
	$	6,111,537

Purchase of Capital Assets Payments

Unaudited list of payees who received $20,000 or more for the purchase of capital assets.

Accent Stainless Steel	34,816
Advanced Data Systems	37,857
Agilent Technologies	86,623
Alfa Aesar	32,844
DB Robinson Design & Mfg.	22,109
DELL Computers	50,944
Fasttrack Management	182,974
Inter-City Mechanical	150,578
LOGICORP	59,662
Nikon Canada	43,576
Pulse Instrumentation	57,335
Relion Industries	35,877
Ronan Engineering	31,029
Saskatchewan Opportunties Corporation	242,387
Saskatoon Metal Manufacturing	68,083
Sharps Audio Visual	20,108
Thermo Instruments	29,452
Top-Logix Software & Computers	21,748
Tree	29,150
Triple M Fibreglass	22,843
Western Business Machines	31,933
ZM Associates	94,963
Under $20,000	629,156
$	2,016,047

Accommodation charges - SPMC/SOCO

Unaudited list of payees who received $20,000 or more for the purchase of facilities accommodation.

Saskatchewan Opportunities Corporation	$	3,084,224
Saskatchewan Property Management Corporation		650,112
North Star Innovative Developments		77,737
Under $20,000		77,900
	$	3,889,973